

Sec 254. Contributions shall not be required covering periods of leave of absence from the Agency granted a participant while performing active military or naval service in the Army, Navy, Air Force, Marine Corps, or Coast Guard of the United States.

Identical with sec. 854, FSA. This section waives any requirement for contributions to the Fund during leave of absence for military or naval service.

OMB Declassification & Release Instructions on File - No Referral to OMB

## Part G - Moneys

## Estimate of Appropriations Needed

Sec. 261. The Secretary of the Treasury shall prepare the estimates of the annual appropriations required to be made to the Fund, and shall make actuarial valuations of such funds at intervals of five years, or oftener if deemed necessary by him. [The Director may expend from money to the credit of the Fund an amount not exceeding \$5,000 per annum for the incidental expenses necessary in administering the provisions of this title, including actuarial advice.]

*current appropriations change*

Identical with sec. 861, FSA. This section provides for the estimate of annual appropriations required to be made to the Fund and for actuarial valuation of the fund at least every five years. This section also authorizes the Director of Central Intelligence to expend not more than \$5,000 from the Fund annually for expenses incidental to its administration.

Investment of Moneys in the Fund

Sec. 262. The Secretary of the Treasury shall invest from time to time in interest-bearing securities of the United States such portions of the Fund as in his judgment may not be immediately required for the payment of annuities, cash benefits, refunds, and allowances, and the income derived from such investments shall constitute a part of such Fund.

Identical with sec. 863, FSA. This section provides necessary authority for the Secretary of the Treasury to invest funds which are not immediately required and to deposit the income produced by such investment to the Fund.

Attachment of Moneys

Sec. 263. None of the moneys mentioned in this title shall be assignable either in law or equity, or be subject to execution, levy, attachment, garnishment, or other legal process, except as provided in section 234(2).

Identical with sec. 864. This section provides necessary protection to funds in the Fund to preserve them for the payment of annuities, cash benefits, refunds, and allowances as provided under the proposed retirement system.

Part H - Annuitants Recalled, Reinstated or Reappointed in  
the Service or Re-employment in the Government

Recall

Sec. 271.(a) The Director may recall any annuitant to duty in the Agency whenever he shall determine such recall is in the public interest.

(b) Any annuitant recalled to duty in the Agency or reinstated or reappointed in accordance with the provisions of section 231(b) shall, while so serving, be entitled in lieu of his annuity to the full salary of the grade in which he is serving. During such service, he shall make contributions to the Fund in accordance with the provisions of section 211. When he reverts to his retired status, his annuity shall be determined anew in accordance with the provisions of section 221.

Identical with sec. 520(b) and 871, FSA. This section provides for the recall to active service of annuitant when necessary in the public interest. It further provides that such a recalled annuitant shall be entitled to the full salary of the grade in which he serves upon recall and for recomputation of his annuity upon completion of such service.

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DRAFT 2. 1 Dec 62

Reemployment Compensation

Sec 272.(a). Notwithstanding any other provision of law, any officer or employee of the Agency who has retired under this Act, as amended, and is receiving an annuity pursuant thereto, and who is reemployed in the Federal Government service in any appointive position either on a part-time or full-time basis, shall be entitled to receive the salary of the position in which he is serving plus so much of his annuity payable under this Act, as amended, which when combined with such salary does not exceed during any calendar year the basic salary such officer or employee was entitled to receive on the date of his retirement from the Agency. Any such reemployed officer or employee who receives salary during any calendar year in excess of the maximum amount which he may be entitled to receive under this paragraph shall be entitled to such salary in lieu of benefits hereunder.

(b) When any such retired officer or employee of the Agency is reemployed, the employer shall send a notice to the Central Intelligence Agency of such reemployment together with all pertinent information relating thereto and shall cause to be paid, by transfer or otherwise, to the Central Intelligence Agency funds necessary to cover gross salary, employer contributions, and gross lump sum leave payment relating to the reemployment of the reemployed officer or employee. The Central Intelligence Agency shall make to and on behalf of the reemployed officer or employee payments to which he is entitled under the provisions of paragraph (a)

49

S-E-C-R-E-T

GROUP 1. Excluded from automatic  
downgrading and declassification.

of this section, and shall make those withholdings and deductions authorized and required by law.

(c) In the event of any overpayment under this section the Director is authorized to withhold the amount of such overpayment from the salary payable to such reemployed officer or employee or from his annuity.

Identical with sec. 872, FSA. This section provides that an annuitant who is reemployed in the federal service in an appointive position is entitled to retain the salary of his position plus his annuity up to a combined amount which does not exceed the basic salary of the grade which he held upon retirement. The section further provides for payment of both salary and annuity by the Agency and, in the event of an overpayment, for the withholding of the amount of any overpayment from either the salary or the annuity payable to the reemployed annuitant.

S-E-C-R-E-T

DRAFT 2. 1 Dec 62

Reemployment

Sec. 273. Notwithstanding the provisions of title 5, United States Code, section 62, and title 5, United States Code, section 715a, an Agency officer or employee heretofore or hereafter retired under the provisions of this Act shall not, by reason of his retired status, be barred from employment in Federal Government service in any appointive position for which he is qualified. An annuitant so reemployed shall serve at the will of the appointing officer.

Identical with sec. 520(c), FSA. This section authorizes the reemployment of an employee, retired under the proposed system notwithstanding the general prohibition against so-called dual employment (5 U.S.C. 62) or the general prohibition except under specified circumstances of an employee mandatorily retired for age under the civil service retirement act (5 U.S.C. 715a).

It further provides that such reemployment shall be at the will of the appointing officer, a similar condition being imposed under both the Foreign Service and the civil service retirement systems.

Part I - Voluntary Contributions

Sec 281(a). Any participant may, at his option and under such regulations as may be prescribed by the Director deposit additional sums in multiples of 1 per centum of his basic salary, but not in excess of 10 per centum per annum, compounded annually as of December 31, and proportionately for the period served during the year of his retirement, including all contributions made during or for such period, shall, at the date of his retirement and at his election, be -

(1) Returned to him in lump sum; or

(2) Used to purchase an additional life annuity; or

(3) Used to purchase an additional life annuity for himself and to provide for a cash payment on his death to a beneficiary whose name shall be notified in writing to the Director by the participant with a guaranteed return to the beneficiary or his legal representative of an amount equal to the cash payment referred to in paragraph 3.

(b) The benefits provided by subparagraphs 2,3, or 4 of paragraph (a) of this section shall be actuarially equivalent in value to the payment provided for by paragraph (a)(1) of this section and shall be calculated upon such tables of mortality as may be from time to time prescribed for this purpose by the Secretary of the Treasury.

(c) In case a participant shall become separated from the Agency for any reason except retirement on an annuity, the amount of any



additional deposits with interest at 3 per centum per annum, compounded as is provided in paragraph (a) of this section, made by him under the provisions of this paragraph shall be refunded in the manner provided in section 241 for the return of contributions and interest in the case of death or separation from the Agency.

(d) Any benefits payable to an officer or to his beneficiary in respect to the additional deposits provided under this paragraph shall be in addition to the benefits otherwise provided under this title.

Identical with sec. 881, FSA. This section provides for an employee to make voluntary contributions to the Fund if he wishes to do so in order to increase the ~~amount of his annuity or~~ to be paid to him or to a survivor upon his retirement or death. Similar provision is contained in both the Foreign Service and the civil service retirement systems.

APPENDIX **B**

COMPARISON OF FOREIGN SERVICE RETIREMENT  
AND DISABILITY SYSTEM WITH PERTINENT PROVISIONS  
OF THE CIVIL SERVICE RETIREMENT SYSTEM

# COMPARISON OF FOREIGN SERVICE RETIREMENT AND DISABILITY SYSTEM WITH PERTINENT PROVISIONS OF THE CIVIL SERVICE RETIREMENT SYSTEM\*

(1) Items	(2) CSR	(3) FSR	(4) Section	(5) Comments
A. Coverage.....	Government employees generally, unless temporary, intermittent or subject to another Federal retirement system.	All FSO's, plus non-FSO's who have served as chiefs of mission for an aggregate period of 20 years or more; Foreign Service Staff (FSS) officers and employees with 10 or more years of continuous service in the Foreign Service.	803	Most Staff officers and employees and Foreign Service Reserve officers are presently covered by CSR.
B. Contributions:				
1. Compulsory.....	6 1/4 percent of employee's basic salary. Agency contribution of 6 1/4 percent of employee's basic salary.	6 1/4 percent of employee's basic salary. Agency contribution of 6 1/4 percent of employee's basic salary.	811	FSR same as CSR.
2. Voluntary.....	Maximum 10 percent of total basic salary received since Aug. 1, 1920. Payable in multiples of \$25.	Maximum of 10 percent of total basic salary received since July 1, 1930. Payable in multiples of 1 percent.	-----	Do.
C. Benefits:				
1. Annuities.....	Annuity.—Based on high 5 average years of salary 1 1/2 percent times 5 years, plus 1 3/4 percent times next 5 years, plus 2 percent times all years over 10 years of creditable service. Annuity not to exceed 80 percent of high 5 average salary.	Based on high 5 average years of salary 2 percent times total number years creditable service not to exceed 35 years.	821	CSR provides maximum 80 percent high 5 average. FSR provides maximum 70 percent high 5 average.
2. Reduced annuities.....	Reduced annuity with benefits to widow or widower. Corresponding benefits to each dependent child.	Surviving children, widowers, and dependent widowers may be included as survivor annuitants.	804	FSR provides survivorship benefits comparable to those of CSR.
3. Survivor annuities: (a) Married participant...	Basic general formula.—Widow or widower (if survivor annuity elected by retiring employee): 1/2 of all or whatever portion of earned annuity specified as base. Annuity terminates on death or remarriage.  Employee's annuity reduced by 2 1/4 percent of 1st \$2,400 of any amount specified as base for survivor benefits plus 10 percent of the amount over \$2,400 up to the full amount of employee's annuity, if specified.  Children: A surviving wife or husband: 40 percent of average salary divided by number of children; \$600; or \$1,800 divided by number of children, whichever is lesser. No surviving wife or husband: 1/4 average salary divided by number of children; \$720; or \$2,160 divided by number of children, whichever is lesser. Children annuities terminate at age 18 (or on recovery from incapacity after 18), marriage or death. On termination of any child's annuity by death, wife or husband's annuity by death.	Widow or widower (if survivor annuity elected by retiring employee): 1/2 of all or whatever portion of earned annuity specified as base. Annuity terminates only on death of widow or widower.  Employee's annuity reduced by 2 1/4 percent of 1st \$2,400 of any amount specified as base for survivor benefits plus 10 percent of the amount over \$2,400 up to the full amount of employee's annuity, if specified.  Children: A surviving wife or husband: 40 percent of average salary divided by number of children; \$600; or \$1,800 divided by number of children, whichever is lesser. No surviving wife or husband: 1/4 average salary divided by number of children; \$720; or \$2,160 divided by number of children, whichever is lesser. Children annuities terminate at age 18 (or on recovery from incapacity after 18), marriage or death. On termination of any child's annuity by death, wife or husband's annuity by death.	821	Important difference in the FSR provision is that the annuity of a surviving widow or widower terminates only on death of such survivor.
			-----	FSR same as CSR.
			-----	Do
			-----	Do.
			-----	Do.

\* INFORMATION TAKEN FROM CHART ENTITLED "COMPARISON OF MAJOR PROPOSED CHANGES IN THE FOREIGN SERVICE RETIREMENT AND DISABILITY SYSTEM WITH PERTINENT PROVISIONS OF THE CIVIL SERVICE RETIREMENT SYSTEM" APPEARING IN HOUSE OF REPRESENTATIVES REPORTS NOS. 1850 AND 2104, 86TH CONGRESS, 2D SESSION, FOREIGN SERVICE ACT AMENDMENTS OF 1960.

(1) Items	(2) CSR	(3) FSR	(4) Section	(5) Comments
<b>C. Benefits—Continued</b>				
(b) Unmarried participant.	annuities of surviving children are recomputed as though person whose annuity was terminated had not survived deceased employee. Person in whom annuitant has insurable interest (if survivorship and reduced annuity elected): $\frac{1}{2}$ of participant's reduced annuity. Retiring employee's annuity reduced 10 to 40 percent depending on difference between his age and age of person designated to receive survivor annuity. Survivor annuity continues for life.	annuities of surviving children are recomputed as though person whose annuity was terminated had not survived deceased employee. Designated beneficiary: $\frac{1}{2}$ of participant's reduced annuity. Retiring employee's annuity reduced 10 to 40 percent depending on difference between his age and age of person designated to receive survivor annuity. Survivor's annuity continues for life.	821	FSR does not require that the designated beneficiary have an insurable interest.
4. Death in service: (a) Widow-widower.....	Widow or dependent widower: $\frac{1}{2}$ of participant's earned annuity payable until death or remarriage or until widower becomes capable of self-support.	Widow or dependent widower: $\frac{1}{2}$ of participant's earned annuity payable until death of surviving widow or dependent widower or until dependent widower becomes capable of self-support.	832	FSR provides continuation of widow's annuity until death and allows the survivor to receive the annuity based on at least 20 years of service.
(b) Children:	Children: A surviving wife or husband: 40 percent average salary divided by number of children; \$900; or \$1,800 divided by number of children, whichever is lesser. No surviving wife or husband: $\frac{1}{2}$ average salary divided by number of children; \$720; or \$2,160 divided by the number of children, whichever is lesser.	Children: A surviving wife or husband: 40 percent of average salary divided by number of children; \$600; or \$1,800 divided by number of children, whichever is lesser. No surviving wife or husband: $\frac{1}{2}$ average salary divided by number of children; \$720; or \$2,160 divided by the number of children, whichever is lesser.	832	FSR same as CSR.
5. Disability retirement.....	After 5 years of civilian service: Same as full age and service benefit. (Guaranteed 40 percent of average salary or annuity projected to age 60 whichever is lesser.)  Elective survivor benefits based on actual years of service credit.	Excludes from initial 5 years' free credit granted for military service for which no contribution has been made to the fund. Limits amount of extra service credit that can be accredited to a disability annuitant to the difference between his age at the time of retirement and the mandatory retirement age applicable to his class in the Service. Elective survivor benefits based on service credit upon which participant's annuity is computed.	831	FSR same as CSR.
(a) Tax exemption.....	No provision.....	Exempts disability annuity from Federal income tax.	51	FSR provides tax exemptions.
(b) Bar to double annuity	If receiving disability compensation under Federal Employees' Compensation Act, Sept. 7, 1916, is not eligible for annuity for same period but not barred from greater benefit of either act. Also is not barred from receiving annuity under this act by reason of own services while receiving concurrently any payment under Federal Employees' Compensation Act by reason of death of some other person. If awarded lump sum under sec. 17 of FEC, amount covering period beyond effective date of annuity must be refunded to U.S. Employees' Comp-	Same as civil service.....	831	FSR same as CSR.

(1) Items	(2) CSR	(3) FSR	(4) Section	(5) Comments
<b>C. Benefits—Continued</b>				
6. Discontinued service retirement.	sation Commission or be deducted from annuity payments for that purpose. Deferred annuity payable at 62 if separated employee has 5 years of civilian service credit.	Deferred annuity payable at age 60 if separated employee has 5 years of civilian service credit.	834	FSR provides payment of deferred annuity at age 60.
7. Disposition of contributions in excess of benefits received.	If deceased individual's contributions are not returned in the form of annuity (to individual or his survivors), the unreturned contributions must be paid to a designated beneficiary; or in an order of precedence to widow, children, parents, etc.	If deceased individual's contributions are not returned in the form of annuity (to individual or his survivors), the unreturned contributions must be paid to a designated beneficiary; or in an order of precedence to widow, children, parents, etc.	841	FSR aligns precedence provisions with those of CSR.
<b>D. Creditable service:</b>				
1. Leave without pay.....	Includes: Leave of absence without pay granted during covered employment while performing active honorable military service; Leave of absence without pay granted during covered employment while receiving FEC benefits; Civilian employment with District of Columbia government.	Includes: Leave of absence for active military or naval service.	851	FSR same as CSR.
2. District of Columbia employment.	No provision.....	Includes leave of absence granted during covered employment while receiving FEC benefits. Includes civilian employment with District of Columbia government.	-----	Do.
3. Transfer of funds.....		Provides for direct transfer to FSR fund of all regular contributions (with interest) made by officer or employee to other Government retirement system under which previously covered. Funds transfer discharges other system of all benefit obligations based on service involved.	852	Do.
			852	At present persons becoming participants in FSR system may purchase prior service credit by making a special contribution to FSR fund for such amount of service credit as they elect to purchase. The new provision provides for the automatic transfer of contributions in another Government system to the FSR fund when a person becomes a participant in the FSR system by transfer from other Government service.
<b>E. Officers recalled or reinstated.....</b>	No provision exactly comparable.	Recomputation of annuity of an officer recalled in the Service and retired a second time.	871	
<b>F. Reemployment of annuitants.....</b>	Any annuitant reemployed after retirement for age or based on voluntary separation or an involuntary separation for cause, or if retired for disability and is age 60 or over at the time of reemployment, retains his full annuity, but the salary of his position must be reduced by the amount of annuity received.	Provides that reemployed Foreign Service annuitants receive full salary of the position appointed plus portion of their annuity which when added to the salary would equal the base salary received at time of retirement from the Foreign Service.	872	FSR provides for potential higher combined income for reemployed Foreign Service annuitants and provides authority to reemploy FSO retired for age.

TAB

RECOMPUTATION OF POST ESTIMATE

1. ANNUITIES - GS-13<sup>2</sup> Age 55; 25 yrs service

FOREIGN SERVICE

CIVIL SERVICE

2. Prior to pay increase

\$ 5,500

1963 \$ 4,829  
+ 4% + 195.16

\$ 5,024

1964  
+ 3% \$ 4,829  
+ 144.87

\$ 4,974

Difference. FS/CS

1963

\$ 5,500

+ \$ 476

- 5,024

\$ 476

1964

\$ 5,500

+ \$ 526

- 4,974

526

b. Subsequent to 1962 pay increase

Foreign Service

Civil Service

$\$11,515$   
 $\times 2\%$   


---

 $230.30$   
 $\times 25 \text{ yrs}$   


---

 $1150$   
 $\$60$   


---

 $\$5,750$  EST. ANNUITY

$\$11,515$   
 $\times 1.5\%$   


---

 $575.75$   
 $11515$   


---

 $1727.25$   
 $\times 5 \text{ yrs}$   


---

 $\$865$  —  $8865$

DIFF. FS/CS

1965:  $5,750$   
 $- 5,432$   


---

 $\$318$

1966:  $5,750$   
 $- 5,378$   


---

 $\$372$

1967:  $5,750$   
 $- 5,325$   


---

 $\$425$

$\$11,515$   
 $\times 1.75\%$   


---

 $575.75$   
 $8060.5$   


---

 $11515$   
 $\$207,512.5$   
 $\times 5 \text{ yrs}$   


---

 $\$1010$  —  $\$1,010$

$\$11,515$   
 $2\%$   


---

 $\$230$   
 $\times 15 \text{ yrs}$   


---

 $1150$   
 $230$   


---

 $\$3450$

$\$3,450$   
 EST. ANNUITY  $\$5,325$

1965:  $+2\%$   $+10650 (107)$   $\$5,432$

1966:  $+1\%$   $+153$   $\$5,378$



c. "Average" annuity "

+ 0% adjustments

Based on pre-1962 increases for 1963 + 1964

" " post-1962 + 0% adjustments for 1965 + 1966  
" " " " for 1967

	FOREIGN SERVICE	Civil Service
1963	\$ 5,500	\$ 5,024
1964	5,500	4,974
1965	5,750	5,432
1966	5,750	5,378
1967	5,750	5,325
	5 <u>28,250</u>	5 <u>26,133</u>
	\$ 5,650	\$ 5,225

Average thus estimated would not apply to any individual annuitant but approximates the average of annuities paid to all retirees during period 1963-67.

$$\begin{array}{r}
 \$5,650 \\
 5,225 \\
 \hline
 \$4,225
 \end{array}$$

2. Increase in Annuity Payments

FY	<u>Annuity Payments</u>		<u>Increased Payments</u>	
	<u>Per Year</u>	<u>Cum. Total</u>	<u>Per Year</u>	<u>Cumulative</u>
1963 (1/2 yr)	34	34	\$ 15,784	\$ 15,784
1964	67	101	35,242	51,026
1965	67	168	21,306	72,332
1966	67	235	24,924	97,256
1967	67	302	28,475	125,731
TOTALS		<u>302</u>		<u>\$ 362,129</u>
		302 840		349,000

1963:  $34 \times \$476 = 15,784$   
 1964:  $67 \times 526 = 35,242$   
 1965:  $67 \times 318 = 21,306$   
 1966:  $67 \times 372 = 24,924$   
 1967:  $67 \times 425 = 28,475$   
 302

TAB

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ER 62-6367

COPY

28 August 1962

MEMORANDUM FOR: Mr. McCone

SUBJECT : Progress with Congress on the Early Retirement Legislation

25X1A

1. Monday, 27 August, [REDACTED]s, and I met with Bob Smart, Committee Counsel, to review our presentation and to help draft the Committee report. This was a very successful and promising meeting.

2. Today, I met with the entire House Armed Services Committee with Chairman Vinson presiding and a quorum present. My presentation was favorably accepted and the general reaction throughout the Committee was sympathetic, understanding, willing, and receptive. However, the one thing that we thought would make it easy was the one thing that the Committee balked on -- that is, tying ours into the Foreign Service system. There seemed to be a general agreement that to do this would open the gates for the Foreign Affairs Committee of the House and the Foreign Relations Committee of the Senate to involve themselves in the activities of the CIA. Most of the discussion was between the Chairman and the Committee members and since it was a jurisdictional matter within the Congress, we were not asked for nor provided an opportunity to adequately argue the merits. It was perfectly apparent, however, that the Committee wanted no part of any other Committees or influence from the Congress being directed toward CIA. As a result, we were directed to start from scratch and draft our own early retirement legislation and whatever other accompanying personnel actions would appropriately fit into such legislation. Our Legislative people are now working on this night and day, but I seriously doubt that we will be able to get favorable action by the entire Congress during this session. We are, however, leaving no stone unturned to accomplish this and certainly to continue the momentum that we acquired today.

3. (It is possible that this was a stalling action to avoid having to bring the matter to the Floor in this session, since much of the Committee discussion centered around the present temper of the House and why had we waited so long to bring the matter up for Congressional approval,)

/s/

Marshall S. Carter  
Lieutenant General, USA

Distribution: Orig - DCI (hand carried by [REDACTED] e 8/30)

1 - DDCI	1 - Legis Counsel
1 - D/Pers	1 - [REDACTED]
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ER 6362

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30 August 1962

Honorable Carl Vinson  
Chairman  
Committee on Armed Services  
House of Representatives  
Washington 25, D. C.

Dear Mr. Vinson:

I appreciated the opportunity last Tuesday to present to you and the members of the Armed Services Committee our explanation of H. R. 12923 and the reasons we believe such legislation is essential and urgent. Acting on your request at the hearing, we have redrafted H. R. 12923 so that the bill stands on its own without reference to statutes or retirement systems of other agencies.

The draft which is enclosed substantially provides for, in specific language, the objectives which were intended to be accomplished by H. R. 12923. In order to provide for a retirement system which would stand on its own merits, it necessarily required a somewhat longer bill with detailed provisions. [REDACTED] is available to review these details with Mr. Smart or with you and other members of the Committee. Also, I am available at any time to appear again on our proposal before either the full Committee or the CIA Subcommittee, as you deem best.

Again let me express my appreciation for your courtesy and cooperation.

25X1A

Faithfully yours,

/s/  
Marshall S. Carter  
Lieutenant General, USA  
Acting Director

Enclosure

Distribution: Orig & 1 Addressee  
1 each: A/DCI, 1 ER, DDS, D/Pers, OGC/LC

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ER 62-6421

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4 September 1962

Honorable Carl Hayden, Chairman  
Committee on Appropriations  
United States Senate  
Washington 25, D. C.

Dear Senator Hayden:

For your information, I am enclosing a copy of the Agency communication to the President of the Senate dated 14 August 1962. That letter transmitted a legislative proposal to permit the Agency to improve its retirement program for certain limited numbers of employees. Basically, the legislation would permit the Agency to apply to this group of Agency personnel a retirement system similar to that of the Foreign Service.

On 16 August 1962, Mr. Vinson introduced the proposed legislation which is now H. R. 12923. Thereafter, on 28 August 1962, in executive session before the House Armed Services Committee, hearings were held on this bill. During the course of the House hearings Mr. Vinson requested the Agency, as a drafting service, to revise the proposed legislation so that it did not incorporate by reference legislation pertaining to other departments and agencies. Pursuant to his request, such a bill has been drafted by the Agency to accomplish the same objectives as H. R. 12923. A copy of this revised legislation is enclosed.

If further information is desired concerning this proposal, I shall be happy to supply it upon request.

Faithfully yours,

/s/  
Marshall S. Carter  
Lieutenant General, USA  
Acting Director

Enclosures - 3

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ER 62-6420

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4 September 1962

Honorable Richard B. Russell  
Chairman  
Committee on Armed Services  
United States Senate  
Washington 25, D. C.

Dear Senator Russell:

On 14 August 1962, Mr. McCone forwarded to the Congress draft legislation relating to an improved retirement program for certain limited numbers of Agency employees. Since that time, the House Armed Services Committee held hearings in executive session on 28 August 1962 to consider H. R. 12923 which Mr. Vinson had introduced subsequent to our referral of the proposed legislation.

During the course of the House hearings, Mr. Vinson requested the Agency, as a drafting service, to revise the proposed legislation so that it did not incorporate by reference legislation pertaining to other departments and agencies. Pursuant to his request, such a bill has been drafted by the Agency to accomplish the same objectives as H. R. 12923. For your information, a copy of this revised legislation is enclosed.

If the Agency can be of any assistance in your review of this proposed legislation I am available to meet with you at any time. If you prefer, our representatives will be glad to consult with the Committee staff to assist in any way possible.

Faithfully yours,

/s/  
Marshall S. Carter  
Lieutenant General, USA  
Acting Director

Enclosure

Distribution: Orig & 1 - Addressee (to be hand carried by Legislative Counsel)  
1 each: A/DCI, Exec Dir, ER, DDS, D/Pers, Legislative Counsel

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ER 62-6419

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4 September 1962

Honorable David E. Bell  
Director  
Bureau of the Budget  
Washington 25, D. C.

Dear Mr. Bell:

This is to advise that hearings were held in executive session before the full House Armed Services Committee on 28 August 1962 with respect to H. R. 12923. This bill was introduced by Mr. Vinson on 16 August 1962 following advice from the Bureau of the Budget by letter dated 13 August 1962 to the Agency that there would be no objection to presentation of the draft legislation to the Congress.

The Committee appeared to be sympathetic to the objectives of the proposed legislation but there was some question concerning the format of the proposed bill as it related to incorporation by reference of other legislation. As a consequence, the Chairman requested the Agency, as a drafting service, to assist the Committee by drawing a bill which would stand on its own merits. Such a bill has been drafted and forwarded to the Committee in accordance with their request. A copy of that draft and the letter transmitting it are enclosed.

Acting on the Chairman's request, it was our intent in drafting the attached bill to accomplish the same objectives as the bill previously presented to the Bureau of the Budget, now H. R. 12923. Title II of the new draft bill pertaining to retirement is almost 100 per cent taken verbatim from the retirement sections of the Foreign Service Act of 1946, as amended. Necessarily, there was adaptation such as use of the word "Director" in lieu of "Secretary", etc. Also, in certain sections of Title II there was a conversion from FSO classes to GS Grades based on provisions contained in the President's Proposal for Reform of Federal Statutory Salary Systems.

In the new draft bill there are several provisions in the travel and allowances field. These provisions are based on existing Foreign Service authorities and inclusion simply brings Agency legislation up to date in this regard.

I have reviewed the points discussed in the Bureau of the Budget letter of 13 August 1962 and wish to assure you that the agreements referred to remain fully acceptable to the Agency.

Faithfully yours,

/s/

Marshall S. Carter  
Lieutenant General, USA

Enclosures - 2

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ER 62-6418

6 September 1962

Honorable Clarence Cannon  
Chairman  
Committee on Appropriations  
House of Representatives  
Washington 25, D. C.

Dear Mr. Cannon:

For your information, I am enclosing a copy of the Agency communication to the Speaker of the House dated 14 August 1962. That letter transmitted a legislative proposal to permit the Agency to improve its retirement program for certain limited numbers of employees. Basically, the legislation would permit the Agency to apply to this group of Agency personnel a retirement system similar to that of the Foreign Service.

On 16 August 1962, Mr. Vinson introduced the proposed legislation which is now H. R. 12923. Thereafter, on 28 August 1962, in executive session before the House Armed Services Committee, hearings were held on this bill. During the course of the House hearings Mr. Vinson requested the Agency, as a drafting service, to revise the proposed legislation so that it did not incorporate by reference legislation pertaining to other departments and agencies. Pursuant to his request, such a bill has been drafted by the Agency to accomplish the same objectives as H. R. 12923. A copy of this revised legislation is enclosed.

This legislation was the principal item which Mr. McCone had wished to discuss with you when he dropped by your Capitol office on 16 August and was the matter I wished to discuss when I called your office on 27 August. If further information is desired concerning this proposal, I shall be happy to supply it upon request.

Faithfully yours,

/s/  
Marshall S. Carter  
Lieutenant General, USA  
Acting Director

Enclosures - 3

Distribution: Orig & 1 - Addressee (hand carry by Legislative Counsel)  
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September 17, 1962

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(Memorandum to Mr. Amory from [REDACTED] Subject: New draft of CIA Retirement Legislation)

As explained in the attached letter from General Carter to the Director, the House Armed Services Committee requested CIA to provide a detailed draft bill for the proposed CIA retirement system in place of the "short version" cleared by the Bureau on August 13, 1962. Specifically, the new draft, also attached, provides, in lieu of amending the CIA Act of 1949 through the incorporation by reference of the retirement system and miscellaneous benefit provisions of the Foreign Service Act of 1946, detailed language drawn from the Act itself with appropriate modification for inclusion in an amended version of the CIA basic law.

As stated in General Carter's letter, the sections of the new draft generally represent direct borrowing from the Foreign Service Act with several minor exceptions, as follows:

Miscellaneous Benefits:

The sections of the CIA basic act giving miscellaneous authorities to the DCI are amended to include several minor authorities contained in the Foreign Service Act but which are not in the CIA law; these involve certain travel and hospitalization expenses. Also included is one provision not in the Foreign Service Act which would authorize the Agency to provide orientation and language training to members of families of employees prior to overseas assignment. Approval of this section would by specific legislative language endorse an administrative practice which has been conducted by CIA for several years under general authority contained in the CIA enabling act.

Retirement System:

Section 862 of the Foreign Service Act, providing for annual reports to the Congress on the condition of the retirement fund and estimates of appropriations for its financing, is not included in the CIA amendment. Presumably, information as to the condition of the fund and an annual request for appropriations would be made as part of the CIA's regular budget request and justification to the Congress.

Section 271 of the proposed CIA bill, regarding the recall of an annuitant to active duty, is analogous to Section 871 of the Foreign Service Act, except that in the CIA version the DCI would be given the authority to recall any pensioner to duty whenever he determines that such recall would be in the public interest. The language implies that a refusal would terminate benefits under CIA's retirement system.

CIA's draft contains a provision (Section 273), not in the Foreign Service Act, which explicitly states that any Agency employee who might be retired under the provisions of CIA's retirement system would not be barred from further Federal employment.

C O P Y

(COPY OF Memo from [REDACTED])

Mr. Cannon of Legislation Reference informs me that the Agency, in responding to the Committee's request, performed a "drafting service" which was not subject to a new clearance by the Bureau. Similarly, the Bureau is not obligated to provide formal comments to the Agency on the new draft, although it is accepted practice to point out informally any particular problems that are noted with such a draft bill.

Comments:

The draft bill cleared by the Bureau would have allowed considerable flexibility to the Director of Central Intelligence in developing the detailed provisions of a CIA retirement system, inasmuch as it authorized him "to establish a corresponding retirement and disability system (i.e., corresponding to the Foreign Service retirement system) for such employees and classes as he may designate from time to time." (Underlining supplied) In contrast, the draft prepared at the Committee's request, by adopting in complete detail the various provisions of the system set forth in the Foreign Service Act, removed much of the flexibility of the short version which would have permitted CIA to establish detailed arrangements for the system through administrative regulations. Extension of the detailed provisions of the Foreign Service Act retirement system to a CIA system presents several problems.

One potential difficulty involves security. Inasmuch as the CIA employees who would be covered by a new retirement system include the career operative or case officer employees whose association with the Agency is closely guarded, the involvement of the Treasury Department in the "maintenance of the fund" and the "preparation of estimates for the annual appropriation to the fund" set forth in new sections 202 and 261, may go further than is compatible with good security practices.

Mr. Tiller has noted issues on other grounds regarding the involvement of the Treasury Department as proposed in the new draft. Section 202 of the new draft bill now reads: "The Secretary of the Treasury shall maintain the special fund, known as the Central Intelligence Agency Retirement and Disability Fund, referred to hereafter as the Fund." He would prefer the following language which would leave no doubt that the Treasury's role is restricted to a depository one: "There is hereby established in the Treasury of the United States a separate fund known as the Central Intelligence Agency Retirement and Disability Fund, hereafter referred to as the Fund."

Mr. Tiller feels that Section 261, which directs the Secretary of the Treasury to prepare estimates of the annual appropriation required for the fund, and Section 281(b) which directs the Secretary to prescribe mortality tables for purposes of computing certain benefits, preferably should be so written as for these functions to be performed by the Director of Central Intelligence, inasmuch as both functions, in order to be accomplished effectively, would require considerable knowledge of CIA's employees and programs which have a bearing on questions of disability.

Mr. Tiller also noted that the effect of Section 262, which requires the Secretary of the Treasury to invest the moneys deposited to the fund is at cross purposes with the Secretary's important function of minimizing the interest payments on the public debt. To avoid this, he recommends that instead of

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(COPY OF Memo from [REDACTED] to Mr. Amory)

placing the investment responsibility in the Secretary, he be directed to make available certain public bond issues for the investment of the Fund's moneys. This practice is followed in respect of certain other Government retirement funds.

Section 252(c)(1) provides that any employee who has been previously covered by some other Government retirement system (such as the Civil Service system which now covers all of CIA's employees) may, upon becoming a participant in the new system, withdraw his contributions for deposit to the new system. It would seem advisable that in order to establish the proposed fund on as firm a basis as possible, that provision should also have been included in the draft bill to authorize CIA to withdraw its matching contribution from the other, e.g., Civil Service, system for transfer to the new fund.

Mr. McAfee of CMO and Mr. Cannon, both of whom participated in the clearance of the short version and have received copies of the new draft, do not have substantive comments on the detailed draft bill.

Recommendation:

That the issues noted above which arise over the substitution of the detailed draft for the short version cleared by the Bureau be brought informally to the attention of Agency staff.

C O P Y of Legislative Counsel Memorandum commenting on BOB Informal Comments on Agency Retirement Legislation, Set Forth in Memorandum of 17 September from [REDACTED]

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1. BOB preliminary review of the detailed draft of CIA retirement legislation which was drafted for the House Armed Services Committee gave rise to several comments. Each is discussed briefly in the order in which it appears on the 17 September memorandum. The headings are those used in the 17 September memorandum.

Miscellaneous Benefits:

a. "...Also included is one provision not in the Foreign Service Act which would authorize the Agency to provide orientation and language training to members of families of employees prior to overseas assignment. Approval of this section would by specific legislative language endorse an administrative practice which has been conducted by CIA for several years under general authority contained in the CIA enabling act."

Orientation and language training for members of Foreign Service families is authorized at section 701 of the Foreign Service Act, as amended, 22 USC 1041. In the past, this Agency has undertaken such training only in part, in selected cases, and not as an administrative practice under the general authority contained in the CIA enabling act.

Retirement System:

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a. As indicated by [REDACTED], annual reports to the Congress on the condition of the CIA retirement fund and estimates of appropriations for financing, as provided for the Foreign Service at section 862 (22 USC 1102) of the Foreign Service Act, is not required in the Agency bill. Such information would be provided periodically to the Armed Services Committees in accordance with arrangements to be made for such reporting with those Committees.

b. BOB would interpret section 271 regarding the recall of annuitants to active duty as differing from section 871 (22 USC 111) of the Foreign Service Act in that they feel the language used in the CIA draft implies that a refusal by an annuitant to return to duty would terminate benefits under the Agency retirement system.

The language used is essentially identical to the language of section 871 of the Foreign Service Act. There is no intent one way or the other on the part of the Agency to determine this question under the present section. It would be the Agency position that specific legislative authority would be required before the Agency could deny an annuitant the benefits provided under a system requiring contributions by the participants.

c. "CIA's draft contains a provision (section 273), not in the Foreign Service Act, which explicitly states that any Agency employee who might be retired under the provisions of CIA's retirement system would not be barred from further Federal employment."

The language used in this section is substantively identical to section 520(c) of the Foreign Service Act.

COPY OF Legislative Counsel Memo on BOB Comments - Continued

Comments:

a. Under the heading Comments and after noting that the detailing of the provisions of the retirement system removed much of the flexibility of the short version which would have permitted CIA to establish detailed arrangements for the system through administrative regulations, it was noted that one potential difficulty involves security. "Inasmuch as the...retirement system include(s) the career operative or case officer employee whose association with the Agency is closely guarded, the involvement of the Treasury Department in the "maintenance of the fund" and the "preparation of estimates for the annual appropriation to the fund" set forth in new sections 202 and 261, may go further than is compatible with good security practices."

Although additional merit may be established for this argument, present information would indicate that the handling of such matters by Treasury, although requiring the services of knowledgeable individuals, do not appear to provide a security hazard any greater than that encountered in the continuing liaison maintained with the Civil Service Commission under the Civil Service Retirement Act. Just what features might give rise to additional hazard are not apparent at this time.

b. It is suggested that the wording of section 202 which now reads "The Secretary of the Treasury shall maintain a special fund known as the CIA Retirement and Disability Fund, referred to hereafter as the Fund," be amended to read "There is hereby established in the Treasury of the United States a separate fund known as the CIA Retirement and Disability Fund, hereafter referred to as the Fund," in order to kill any doubt that the Treasury's role is restricted to a depository one.

Such a change in wording would be worthwhile.

c. With regard to section 261, which directs the Secretary of the Treasury to prepare estimates of the annual appropriation required for the Fund, and section 281(b) which directs the Secretary to prescribe mortality tables for purposes of computing certain benefits, BOB would recommend that these sections be written to provide that the functions be performed by the Director of Central Intelligence because of the extent of knowledge of CIA employees and programs which is required in determining questions of disability.

The Agency probably would not take exception to this recommendation although the procedures as established under the Foreign Service Act and provided by sections 261 and 281(b) have worked satisfactorily through the years in the administration of the Foreign Service program.

d. It is noted in the report that the effect of section 262 which requires the Secretary of the Treasury to invest money deposited to the Fund, is at cross purposes with the Secretary's important function of minimizing the interest payments on the public debt. It is suggested that in order to avoid this problem, the investment responsibility be replaced by a directive to the Secretary to make available certain public bond issues for the investment of the Fund's moneys.

COPY OF Legislative Counsel Memo on BOB Comments - Continued

The Agency would take exception to this recommendation. The section as drafted is substantively identical to section 863 of the Foreign Service Act. From the Agency point of view, the integrity of the Fund is of paramount consideration in establishing the retirement system.

e. The Bureau recommends that a provision be included in the draft bill (see section 252(c)(1) ) to authorize CIA to withdraw its matching contribution from Civil Service for transfer to the new retirement fund whenever an employee previously covered under Civil Service is transferred to the system.

Information and advice available to the Agency indicates withdrawal of the employee contribution from Civil Service on transfer to the Foreign Service system has not been accomplished, nor is it required or authorized by the Foreign Service Act. It will be necessary therefor to meet again with the Civil Service Commission on this matter. Withdrawal of employee contributions from Civil Service and transfer of the monies to the Agency Retirement Fund is basic to the proper establishment of the Fund.

C O P Y

16 November 1962

MEMORANDUM FOR THE RECORD

SUBJECT: Funding of the CIA Retirement Fund

Background

The Foreign Service Act and Section 252(c)(1) of the long version of the CIA Retirement and Disability system provide that: "If an officer or employee under some other Government retirement system becomes a participant in the system by direct transfer, such officer or employee's total contributions and deposits, including interest accrued thereon, except voluntary contributions, shall be transferred to the Fund effective as of the date such officer or employee becomes a participant in the System."

In reviewing the CIA bill, a staff officer of the Bureau of the Budget commented on the above provision as follows: "It would seem advisable that in order to establish the proposed fund on as firm a basis as possible, that provision should also have been included in the draft bill to authorize CIA to withdraw its matching contribution from the other, e.g. Civil Service, system for transfer to the new fund."

In order to explore this proposal more thoroughly and get an advance reading on the attitude of the Civil Service system toward such a proposal, a meeting was held on 15 November with Mr. Andrew Ruddock, Director of Bureau of Retirement and Insurance.

In introduction I brought Mr. Ruddock up to date with respect to the fate of the original "short version", its conversion to a long version, and our hopes to return to a short version. In this connection, Mr. Ruddock immediately grasped the issues and strategy involved and commented that with a full CIA bill it would be most difficult to correlate the CIA and Foreign Service retirement systems.

From this point I explained the recommendation implied in the BOB staff paper that both the individual's contributions and the Agency's contributions should be transferred to the new fund from the Civil Service Fund. I inquired whether the Civil Service would be likely to object to such provision. In response, Mr. Ruddock assured me informally that he could conceive of no possible objection. He even cited a historic situation in reverse involving the Government of Panama in which certain Panamaians were brought under the Civil Service Retirement System and their full equity in another retirement system was transferred to the Civil Service System. He also stated that since a substantial number of persons would be involved, full transfer of all funds deposited for an individual would be preferable from a bookkeeping and fund analysis basis.

In view of this, I inquired why the Foreign Service Act only provided for withdrawal of the individual's contributions. I gathered from Mr. Ruddock's discussion that the original concern had been to give the individual the option to withdraw or not withdraw his equity in the Civil Service Retirement System. Under this concept the individual had to apply for the refund and had to re-deposit it with the Foreign Service system. The logic




SUBJECT: Funding of the CIA Retirement Fund

of transferring the related Agency contributed funds apparently got lost in this shuffle.

In this connection, however, Mr. Ruddock urged that any special language in a long version CIA bill call for a direct transfer of all moneys related to an individual's retirement equity merely by submission of a notification from CIA.

As a final point I asked Mr. Ruddock whether in practice any persons transferring to the Foreign Service Retirement system were retaining an equity in both retirement systems and whether in his opinion this might in the future ever be to an individual's advantage. He said such was not current practice and that it was improbable that any advantage would accrue from retirement equity in each two systems although admitting that certain out-of-phase improvement in each system was inevitable.

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Director of Personnel

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TO: The General Counsel

1. In view of our inability to secure the passage of our early retirement legislation during this session of Congress, it is mandatory that we exert every effort to insure our success in the first session of the 88th Congress. The fact that only a little over three months remain between now and the opening of that Congress makes it important that we get our preparatory work completed at the earliest possible time.

a. Completion of the draft of the legislation to include all of the other items which we wanted in the law, which we did not have time to include in our original draft, e.g. a proviso permitting the Director to accept gifts in order that we can set up our own scholarship fund.

c. We should also insure that the appropriate staff members of all of the interested committees are thoroughly briefed on the legislation, and to this I would add the appropriate personnel in the Executive branch, particularly the White House, Bureau of the Budget, and Civil Service Commission, as well as our friends in State and Defense.

/s/

LBK/kg

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13 November 1962

MEMORANDUM FOR: Legislative Counsel

SUBJECT : Proposed Early Retirement Legislation

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1. Mr. [REDACTED] indicated that you are planning on approaching Mr. Porter Hardy concerning the benefits to the Agency of the short form of the early retirement legislation. He also indicated that you desired written comments on the draft on the long form which we had previously discussed. The specific sections with which I was particularly concerned are as follows:

Sec. 202 (Page 5) - This would require the Secretary of the Treasury to maintain a special fund known specifically as the "Central Intelligence Agency Retirement and Disability Fund".

Sec. 211 (a) (Page 7) - This section would provide that the amounts deducted and withheld from the basic salary together with the amounts contributed to the Fund from Agency appropriations should be deposited by CIA in the Treasury of the United States to the Fund provided in Section 202.

Sec. 234 (e) (Page 21) - Provides for assignments of benefits receivable under the legislation and further provides that such assignments should be made on a form approved by the Secretary of the Treasury and a copy of the form deposited with the Secretary of the Treasury by the officer executing the assignment.

Sec. 261 (Page 30) - Provides that the Secretary of the Treasury shall prepare estimates of the annual appropriations required to be made to the Fund.

Sec. 262 (Page 30) - This section provides that the Secretary of the Treasury shall invest in interest-bearing securities of the United States such portions of the Fund as may not be immediately required for payment of benefits under this Act.

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SUBJECT: Proposed Early Retirement Legislation

It is believed that the provisions in each of these sections would cause rather serious security problems to us. If it is necessary to resubmit the proposed long form it is suggested that each of these sections be reworded basically to provide authority for the Director to establish and maintain the Retirement Fund.

2. The other item which we discussed earlier was the necessity for cleaning up wording so that the same words would mean the same thing in various parts of the legislation. For example, different terms mean substantially the same thing in the following:

Sec. 221 (a) (Page 8) states ". . . for which full contributions have been made to the Fund . . . ."

Sec. 231 (a) (Page 11) states ". . . who has five years of service credit toward retirement under the system. . ."

Sec. 234 (d) (2) (Page 20) states ". . . service credit toward retirement under the Central Intelligence Agency Retirement and Disability System. . . ."

It is possible that similar variations occur in other items although these are the only ones which were apparent to me in my review of the proposed legislation.

3. Some provision should be made to provide for the transfer of the Agency's contributions to the Civil Service Fund when the person is transferred from the Civil Service to the CIA Retirement System.

4. The above comments are the major problem areas which I noted. I will be glad to discuss the matter with you at your convenience if you so desire.

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Assistant Comptroller

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**TITLE II -- THE CENTRAL INTELLIGENCE AGENCY  
RETIREMENT AND DISABILITY SYSTEM**

*Section*

**Part A -- Establishment of System**

*Section 8  
For Sec. 16  
as amended  
to 1960*

**Rules and Regulations**

*801 (a)*

**Sec. 201.(a) The Director may prescribe rules and regulations  
for the establishment and maintenance of a Central Intelligence Agency  
Retirement and Disability System, referred to hereafter as the System.**

*801 (b)*

**(b) The Director shall administer the System in accordance with  
such rules and regulations and with the principles established by this  
Act.**

**Maintenance of Fund**

**Sec. 202. The Secretary of the Treasury shall maintain the special  
fund, known as the Central Intelligence Agency Retirement and Disability  
Fund, referred to hereafter as the Fund.**

*802*

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## Participants

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Sec. 203. The Director may designate from time to time such Agency officers and employees, hereafter referred to as participants, who shall be entitled to the benefits of the System.

## ANNUITANTS

### 204.

<sup>63</sup> Sec. ~~204~~. (a) Annuityants shall be persons who are receiving annuities from the Fund and all persons, including surviving wives and husbands, widows, dependent widowers, children and beneficiaries of participants or annuityants who shall become entitled to receive annuities in accordance with the provisions of this Act, ~~XXXXXXXXXXXX~~  
~~XX~~  
~~XX~~

804 (a)

(b) When used in this title the term --

(1) "Widow" means the surviving wife of a participant who was married to such participant for at least two years immediately preceding his death or is the mother of issue by such marriage

804 (b-1)

(2) "Dependent widower" means the surviving husband of a participant who was married to such participant for at least two years immediately preceding her death or is the father of issue by such marriage, and who is incapable of self-support by reason of mental or physical disability, and who received more than one-half of his support from such participant.

(3) "Child" means an unmarried child, under the age of eighteen years, or such unmarried child regardless of age who because of physical or mental disability incurred before age eighteen is incapable of self-support. In addition to the offspring of the participant and his or her spouse the term includes (a) an adopted child, and (b) a step-child or recognized natural child who received more than one-half of his support from the participant.

## 211.

811 (a)

811(b)

## 221.

821(a)

821 (2)

P.L. No. 86-723, 84th Cong., 2d Sess. (70 Stat. 705), amended P.L. No. 85-882, 94th Cong., 2d Sess. (70 Stat. 705), and amended and restated by P.L. 86-723 (74 Stat. 839; 22 U.S.C. 1076). The act (66 Stat. 812; 22 U.S.C. 1077 and 1078), increased the annuities of Foreign Service officers who retired before November 13, 1950, and the annuities of the beneficiaries of such officers. The act of May 1, 1956, P.L. 503, 84th Cong. (70 Stat. 125) increased the annuities of Foreign Service officers who retired prior to July 1, 1949, and of certain beneficiaries; and also authorized in certain circumstances, grants to widows of Service officers. P.L. 85-882 of September 2, 1958, increased annuities and made provision for future increases to June 30, 1962. Further increases were authorized by P.L. 86-812, approved July 12, 1960.

86-812, approved July 12, 1960.  
\* Amended by P.L. 828, 84th Cong. (70 Stat. 705) and further amended and restated by  
P.L. 86-723 (74 Stat. 839; 22 U.S.C. 1076).

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amount up to \$2,400 he specifies as the base for the survivor benefit plus 10 per centum of any amount over \$2,400 so specified.

<sup>67</sup> (c) (1) If an annuitant dies and is survived by a wife or husband and by a child or children, in addition to the annuity payable to the surviving wife or husband, there shall be paid to or on behalf of each child an annuity equal to the smallest of: (i) 10 per centum of the annuitant's average basic salary, as determined under paragraph (a) of this section, divided by the number of children; (ii) \$600; or (iii) \$1,800 divided by the number of children.

(2) If an annuitant dies and is not survived by a wife or husband but by a child or children, each surviving child shall be paid an annuity equal to the smallest of: (i) 50 per centum of the annuitant's average basic salary, as determined under paragraph (a) of this section, divided by the number of children; (ii) \$720; or (iii) \$2,160 divided by the number of children.

<sup>68</sup> (d) If a surviving wife or husband dies or the annuity of a child is terminated, the annuities of any remaining children shall be recomputed and paid as though such wife, husband, or child had not survived the participant.

<sup>68</sup> (e) The annuity payable to a child under paragraph (c) or (d) of this section shall begin on the first day of the next month after the participant dies and such annuity or any right thereto shall be terminated upon death, marriage, or attainment of the age of eighteen years, except that, if a child is incapable of self-support by reason of mental or physical disability, the annuity shall be terminated only when such child dies, marries, or recovers from such disability.

<sup>68</sup> (f) At the time of retirement an unmarried participant may elect to receive a reduced annuity and to provide for an annuity equal to 50 per centum of the reduced annuity payable after his or her death to a beneficiary whose name shall be designated in writing to the Secretary. The annuity payable to a participant making such election shall be reduced by 10 per centum of an annuity computed as provided in paragraph (a) of this section and by 5 per centum of an annuity so computed for each full five years the person designated is younger than the retiring participant, but such total reduction shall not exceed 40 per centum. No such election of a reduced annuity payable to a beneficiary shall be valid until the participant shall have satisfactorily passed a physical examination as prescribed by the Secretary. The annuity payable to a beneficiary under the provisions of this paragraph shall begin on the first day of the next month after the participant dies. Upon the death of the surviving beneficiary all payments shall cease and no further annuity payments authorized under this paragraph shall be due or payable.

<sup>67</sup> Amended and restated by P.L. 86-723 (74 Stat. 839; 22 U.S.C. 1070). Former section 821 (c) as amended, is now section 821 (f).  
<sup>68</sup> Added by P.L. 86-723 (74 Stat. 840; 22 U.S.C. 1076).



831 (a)

831 (م)

831 (c)

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he shall be considered to have been separated within the meaning of section 234 as of the date he was retired for disability and he shall, after the discontinuance of the disability annuity, be entitled to the benefits of that section or of section 241(a) except that he may elect voluntary retirement in accordance with the provisions of section 236 if he can qualify under its provisions. <sup>233</sup>

83K(2) (d) No participant shall be entitled to receive an annuity under this Act and compensation for injury or disability to himself under the Federal Employees' Compensation Act of September 7, 1916, as amended, covering the same period of time. This provision shall not bar the right of any claimant to the greater benefit conferred by either Act for any part of the same period of time. Neither this provision nor any provision of the Act of September 7, 1916, as amended, shall be so construed as to deny the right of any person to receive an annuity under this Act by reason of his own services and to receive concurrently any payment under such Act of September 7, 1916, as amended, by reason of the death of any other person.

831(2) (e) Notwithstanding any provision of law to the contrary, the right of any person entitled to an annuity under this Act shall not be affected because such person has received an award of compensation in a lump sum under section 14 of the Act of September 7, 1916, as amended, except that where such annuity is payable on account of the same disability for which compensation under such section has been paid, so much of such compensation as has been paid for any period extended beyond the date such annuity becomes effective, as determined by the Secretary of Labor, shall be refunded to the Department of Labor, to be paid into the Federal Employees' Compensation Fund. Before such person shall receive such annuity he shall (1) refund to the Department of Labor the amount representing such computed payments for such extended period, or (2) authorize the deduction of such amount from the annuity payable to him under this Act, which amount shall be transmitted to such Department for reimbursement to such Fund. Deductions from such annuity may be made from accrued and accruing payments, or may be prorated against and paid from accruing payments in such manner as the Secretary of Labor shall determine, whenever he finds that the financial circumstances of the annuitant are such as to warrant such deferred refunding.

## 232.

## DEATH IN SERVICE

832(2) (a) Sec. 232. (a) In case a participant dies and no claim for annuity is payable under the provisions of this Act, his contributions to the Fund, with interest at the rates prescribed in sections 241(a) and 281(a), shall be paid in the order of precedence shown in section 241 ~~241~~(b).

832(2) (b) If a participant who has at least five years of service credit toward retirement under the System, excluding military or naval service that is credited in accordance with the provisions of section 251 or 252(a)(2), dies before separation or retirement from the ~~System~~ Agency

<sup>20</sup> Added by P.L. 86-723 (74 Stat. 841; 22 U.S.C. 1081).

<sup>21</sup> Amended and restated by P.L. 86-723 (74 Stat. 842; 22 U.S.C. 1082).

OK.

and is survived by a widow or a dependent widower, as defined in section 801, such widow or dependent widower shall be entitled to an annuity equal to 50 per centum of the annuity computed in accordance with the provisions of paragraph (c) of this section and of section 821(a). The annuity of such widow or dependent widower shall commence on the date following death of the participant and shall terminate upon death of the widow or dependent widower, or upon the dependent widower's becoming capable of self-support.

(c) If a participant who has at least five years of service credit toward retirement under the System, excluding military or naval service that is credited in accordance with the provisions of section 851 or 852(a)(2), dies before separation or retirement from the Service and is survived by a wife or a husband and a child or children, each surviving child shall be entitled to an annuity computed in accordance with the provisions of section 821(c)(1). The child's annuity shall begin and be terminated in accordance with the provisions of section 821(e). Upon the death of the surviving wife or husband or termination of the annuity of a child, the annuities of any remaining children shall be recomputed and paid as though such wife or husband or child had not survived the participant.

(d) If a participant who has at least five years of service credit toward retirement under the System, excluding military or naval service that is credited in accordance with the provisions of section 851 or 852(a)(2), dies before separation or retirement from the Service and is not survived by a wife or husband, but by a child or children, each surviving child shall be entitled to an annuity computed in accordance with the provisions of section 821(c)(2). The child's annuity shall begin and terminate in accordance with the provisions of section 821(e). Upon termination of the annuity of a child, the annuities of any remaining children shall be recomputed and paid as though that child had never been entitled to the benefit.

(e) If, at the time of his or her death, the participant had less than twenty years of service credit toward retirement under the System, the annuities payable in accordance with paragraph (b) of this section shall be computed in accordance with the provisions of section 821 on the assumption he or she has had twenty years of service, but the additional service credit that may accrue to a deceased participant under this provision shall in no case exceed the difference between his or her age on the date of death and the mandatory retirement age applicable to his or her ~~grade~~ <sup>Agency</sup> in the ~~Agency~~. In all cases arising under paragraphs (b), (c), (d), or (e) of this section, it shall be assumed that the deceased participant was qualified for retirement on the date of his death.

~~RETIREMENT OF PERSONS WHO ARE PARTICIPANTS UNDER SECTION 803(A)(3)~~

~~SEC. 833. (a) Any person who is a participant, has at least twenty years of service to his credit, and has reached the age of fifty years but is not a Foreign Service officer at the time he is retired in accordance with the provisions of law governing retirement in the position that he occupies, shall be entitled to an annuity computed as prescribed in section 821.~~

OK

### Voluntary Retirement

636  
Sec. 233. Any participant in the Central Intelligence Agency Retirement and Disability System who is at least fifty years of age and has rendered twenty years of service, ~~including service within the meaning of section 253,~~ may on his own application and with the consent of the Director be retired from the Agency and receive benefits in accordance with the provisions of section 221.

OK

### Discontinued Service Retirement

834(a) Sec. 234. (a) Any participant who separates from the Agency after obtaining at least five years of service credit toward retirement under the System, excluding military or naval service that is credited in accordance with the provisions of section 251 or 252 (a) (2), may, upon separation from the Agency or at any time prior to becoming eligible for an annuity, elect to have his contributions to the Fund returned to him in accordance with the provisions of section 241, or (except in cases where the Director determines that separation was based in whole or in part on the ground of disloyalty to the United States) to leave his contributions in the Fund and receive an annuity, computed as prescribed in section 221, commencing at the age of sixty years.

637(a) (b) If a participant who has qualified in accordance with the provisions of paragraph (a) of this section to receive a deferred annuity commencing at the age of sixty dies before reaching the age of sixty his contributions to the Fund, with interest, shall be paid in accordance with the provisions of sections 241 and 281.

519  
633(a)  
634(a) (c) The Director <sup>may</sup> in his discretion ~~may~~ retire participants in Grade GS-14 and above to promote the efficiency of the Agency and they shall receive retirement benefits in accordance with the provisions of section 221.

OK

633(1)  
634(1-)  
(d) The Director, <sup>may</sup> in his discretion ~~may~~ retire participants in Grade GS-13 to promote the efficiency of the Agency and below and each such officer shall receive--

634(2-)(1)  
(1) one-twelfth of a year's salary at his then current salary rate for each year of service and proportionately for a fraction of a year, but not exceeding a total of one year's salary at his then current salary rate, payable without interest, from the Central Intelligence Agency Retirement and Disability Fund, in three equal installments on the 1st day of January following the officer's retirement and on the two anniversaries of this date immediately following:  
Provided, That in special cases, the Director may in his discretion accelerate or combine the installments; and

634(2)(2)  
CIA ~~the Foreign Service~~ Retirement and Disability Fund, with interest as provided in section 341(a), except that in lieu of such refund such officer, if he has at least five years of service credit toward retirement under the CIA ~~the Foreign Service~~ Retirement and Disability System, excluding military or naval service that is credited in accordance with the provisions of section 351 or 352(a), may elect to receive retirement benefits on reaching the age of sixty in accordance with the provisions of section 321. In the event that an officer who was separated from ~~the Foreign Service~~ and who has elected to receive retirement benefits dies before reaching the age of sixty, his death shall be considered a death in service within the meaning of section 332. In the event that an officer who was separated from ~~class 6 or 7~~ and who has elected to receive retirement benefits dies before reaching the age of sixty, the total amount of his contributions made to the ~~Foreign Service~~ Retirement and Disability Fund, with interest as provided in section 341(a), shall be paid in accordance with the provisions of section 341(b). 65-11 or below

634(2)  
234(d)  
(d) Notwithstanding the provisions of section 3477 of the Revised Statutes, as amended (31 U.S.C. 203) or the provisions of any other law, a ~~Foreign Service~~ officer who is retired in accordance with the provisions of section 321 shall have the right to assign to any person or corporation the whole or any part of the benefits receivable by him pursuant to paragraph (1) of this section. Any such assignment shall be on a form approved by the Secretary of the Treasury and a copy thereof shall be deposited with the Secretary of the Treasury by the officer executing the assignment.

Note: 1st copy out CIA -  
Three places in (2)

OK

**Mandatory Retirement for Age**

631  
Sec. 235. (a) Any participant in the System in Grade GS-18 <sup>or</sup> ~~and~~ above, shall upon reaching the age of sixty-five, be retired from the Agency and receive retirement benefits in accordance with the provisions of section 221, but whenever the Director shall determine it to be in the public interest, he may extend such an officer's service for a period not to exceed five years.

632  
(b) Any participant in the System, other than in Grade GS-18 <sup>or</sup> ~~and~~ above, shall upon reaching the age of sixty ~~and~~ be retired from the Agency and ~~shall~~ receive retirement benefits in accordance with the provisions of section 221, but whenever the Director shall determine it to be in the public interest, he may extend such an officer's service for a period not to exceed five years.

**SEC. 73.** (a) Whenever a participant becomes separated from the Agency without becoming eligible for an annuity or a deferred annuity in accordance with the provisions of this Act, the total amount of contributions from his salary with interest thereon at 4 per centum per annum, compounded annually until the end of the calendar year ending June 30, 1960, shall be paid to him as provided in section 381, and proportionately for the period served during the year of separation including all contributions made during or for such period, except as provided in section 381, shall be returned to him.

(b) In the event that the total contributions of a retired participant, other than voluntary contributions made in accordance with the provisions of section 281, with interest at 4 per centum per annum compounded annually as is provided in paragraph (a) of this section added thereto, exceed the total amount returned to such participant or to an annuitant claiming through him, in the form of annuities, accumulated at the same rate of interest up to the date the annuity payments cease under the terms of the annuity, the excess of the accumulated contributions over the accumulated annuity payments shall be paid in the following order of precedence, upon the establishment of a valid claim therefor, and such payment shall be a bar to recovery by any other person:

- (1) To the beneficiary or beneficiaries designated by the retired participant in writing to the ~~Secretary~~ *Director*;
- (2) If there be no such beneficiary, to the surviving wife or husband of such participant;
- (3) If none of the above, to the child or children of such participant and descendants of deceased children by representation;
- (4) If none of the above, to the parents of such participant or the survivor of them;
- (5) If none of the above, to the duly appointed executor or administrator of the estate of such participant;
- (6) If none of the above, to other next of kin of such participant as may be determined by the ~~Secretary~~ *Director* in his judgment to be legally entitled thereto.

(c) No payment shall be made pursuant to paragraph (b) (6) of this section until after the expiration of thirty days from the death of the retired participant or his surviving annuitant.

"XXXXXXXXXXXXXXXXXXXXE XXXXX(1)XXX(6)XXXXXXXXXXXXX"

as of December



OK

PART F—PERIOD FOR SERVICE FOR ANNUITIES

COMPUTATION OF LENGTH OF SERVICE

851  
Sec. 251.<sup>24</sup> For the purposes of this title, the period of service of a participant shall be computed from the effective date of appointment as a Foreign Service officer, or, if appointed prior to July 1, 1924, as an officer or employee of the Diplomatic or Consular Service of the United States, or from the date he becomes a participant under the provisions of this Act, as amended, but all periods of separation from the Agency and so much of any leaves of absence without pay as may exceed six months in the aggregate in any calendar year shall be excluded, except leaves of absence while receiving benefits under the Federal Employees' Compensation Act of September 7, 1916, as amended, and leaves of absence granted participants while performing active and honorable military or naval service in the Army, Navy, Air Force, Marine Corps, or Coast Guard of the United States.

PRIOR SERVICE CREDIT

252.

Sec. 852. (a) A participant may, subject to the provisions of this section, obtain credit for service in the following categories:

(1) civilian service in the executive, judicial, and legislative branches of the Federal Government and in the District of Columbia government, prior to becoming a participant; and

(2) active and honorable military or naval service in the Army, Navy, Marine Corps, Air Force, or Coast Guard of the United States.

(b) A person may obtain prior civilian service credit in accordance with the provisions of paragraph (a) (1) of this section by making a special contribution to the Fund equal to 5 per centum of his basic annual salary for each year of service for which credit is sought

prior to November 8, 1960, and at 6 1/2 per centum there-

after with interest compounded annually at 4 per centum per annum to the date of payment. Any such person may, under such conditions as may be determined in each instance by the Director, pay such special contributions in installments.

(c) (1) If an officer or employee under some other Government retirement system, becomes a participant in the System by direct transfer, such officer or employee's total contributions and deposits, including interest accrued thereon, except voluntary contributions, shall be transferred to the Fund effective as of the date such officer or employee becomes a participant in the System. Each such officer or employee shall be deemed to consent to the transfer of such funds and such transfer shall be a complete discharge and acquittance of all claims and demands against the other Government retirement fund on account of service rendered prior to becoming a participant in the System.

(2) No officer or employee, whose contributions are transferred to the Fund in accordance with the provisions of paragraph (c) (1) of this section, shall be required to make contributions in addition to those transferred, for periods of service for which full contributions were made to the other Government retirement fund, nor shall any refund be made to any such officer or employee on account of contributions made during any period to the other Government retirement fund, at a higher rate than that fixed by section 211 of this Act for contributions to the Fund.

(3) No officer or employee, whose contributions are transferred to the Fund in accordance with the provisions of paragraph (c) (1) of this section, shall receive credit for periods of service ~~subsequent to~~ ~~xxxxxx~~ for which a refund of contributions has been made, or for which no contributions were made to the other Government retirement fund. A participant may, however, obtain credit for such prior service by making a special contribution to the Fund in accordance with the provisions of paragraph (b) of this section.

(d) No participant may obtain prior civilian service credit toward retirement under the System for any period of civilian service on the basis of which he is receiving or will in the future be entitled to receive any annuity under another retirement system covering civilian personnel of the Government.

(e) A participant may obtain prior military or naval service credit in accordance with the provisions of paragraph (a) (2) of this section by applying for it to the Director prior to retirement or separation from the Agency. However, in the case of a participant who is eligible for and receives retired pay on account of military or naval service, the period of service upon which such retired pay is based shall not be included, except that in the case of a participant who is eligible for and receives retired pay on account of a service-connected disability incurred in combat with an enemy of the United States or caused by an instrumentality of war and incurred in line of duty during a period of war (as that term is used in chapter 11 of title 38, United States Code), or is awarded under chapter 67 of title 10 of the United States Code, the period of such military or naval service shall be included. No contributions to the Fund shall be required in con-

nection with military or naval service credited to a participant in accordance with the provisions of paragraph (a) (2) of this section.

852 (a)

852 (b)

852 (c)

852 (d)

852 (e)

Sec. 253. Open

*To be checked.*

**Credit for Service While on Military Leave**

854 Sec. 254. Contributions shall not be required covering periods of leave of absence from the Agency granted a participant while performing active military or naval service in the Army, Navy, <sup>Air Force,</sup> Marine Corps, or Coast Guard of the United States.

Sec. 255. Open

CK

**Part G -- Moneys**

**Estimate of Appropriations Needed**

§61 Sec. 261. The Secretary of the Treasury shall prepare the estimates of the annual appropriations required to be made to the Fund, and shall make actuarial valuations of such funds at intervals of five years, or oftener if deemed necessary by him. The Director may expend from money to the credit of the Fund an amount not exceeding \$5,000 per annum for the incidental expenses necessary in administering the provisions of this title, including actuarial advice.

<sup>262</sup>  
~~263.~~ INVESTMENT OF MONEYS IN THE FUND

Sec. ~~xxx~~ The Secretary of the Treasury shall invest from time to time in interest-bearing securities of the United States such portions of the Fund as in his judgment may not be immediately required for the payment of annuities, cash benefits, refunds, and allowances, and the income derived from such investments shall constitute a part of such Fund.

<sup>263</sup>  
~~264.~~ ATTACHMENT OF MONEYS

Sec. ~~xxx~~ None of the moneys mentioned in this title shall be assignable either in law or equity, or be subject to execution, levy, attachment, garnishment, or other legal process, ~~except as provided in section 234 (2).~~ <sup>except as</sup>

*provided in section 234 (2).*

*page 15 destroyed*

OK

**Part H -- Annuitants Recalled, Reinstated or Reappointed in  
the Service or Reemployment in the Government**

**Recall**

520(x) **Sec. 271. (a) The Director may recall any annuitant to duty in the  
Agency whenever he shall determine such recall is in the public interest.**

871  
-271.(a)  
70 Sec. 271. Any annuitant recalled to duty in the <sup>Agency</sup> ~~or reinstated or re-~~  
~~appointed in accordance with the provisions of section 331(b) shall,~~  
while so serving, be entitled in lieu of his annuity to the full salary  
of the <sup>grade</sup> ~~class~~ in which he is serving. During such service, he shall  
make contributions to the Fund in accordance with the provisions of  
section 211. When he reverts to his retired status, his annuity shall  
be determined anew in accordance with the provisions of section 221.



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officer or employee of the Agency who has retired under this Act, as amended, and is receiving an annuity pursuant thereto, and who is reemployed in the Federal Government service in any appointive position either on a part-time or full-time basis, shall be entitled to receive the salary of the position in which he is serving plus so much of his annuity payable under this Act, as amended, which when combined with such salary does not exceed during any calendar year the basic salary such officer or employee was entitled to receive ~~under this Act~~ ~~on the date of his retirement from the Agency~~. Any such reemployed officer or employee who receives salary during any calendar year in excess of the maximum amount which he may be entitled to receive under this paragraph shall be entitled to such salary in lieu of benefits hereunder.

(b) When any such retired officer or employee of the Agency is reemployed, the employer shall send a notice to the ~~Director~~ ~~of the Agency~~ of such reemployment together with all pertinent information relating thereto and shall cause to be paid, by transfer or otherwise, to the ~~Director~~ ~~of the Agency~~ ~~CIA~~ funds necessary to cover gross salary, employer contributions, and gross lump sum leave payment relating to the reemployment of the reemployed officer or employee. The ~~Director~~ ~~of the Agency~~ ~~CIA~~

~~Director~~ shall make to and on behalf of the reemployed officer or employee payments to which he is entitled under the provisions of paragraph (a) of this section, and shall make those withholdings and deductions authorized and required by law.

(c) In the event of any overpayment under this section the ~~Director~~ ~~of the Agency~~ is authorized to withhold the amount of such overpayment from the salary payable to such reemployed officer or employee or from his annuity.

Note:

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by ~~www~~ b & c

Reemployment

520(c) *Act*  
Sec. 273. Notwithstanding the provisions of title 5, United States Code, section 62, and title 5, United States Code, section 715a, an Agency officer or employee heretofore or hereafter retired under the provisions of this ~~Act~~ shall not, by reason of his retired status, be barred from employment in Federal Government service in any appointive position for which he is qualified. An annuitant so reemployed shall serve at the will of the appointing officer.

PART I—VOLUNTARY CONTRIBUTIONS

281.

881(a)  
SEC. ~~281~~ (a) Any participant may, at his option and under such regulations as may be prescribed by the ~~Director~~ deposit additional sums in multiples of 1 per centum of his basic salary, but not in excess of 10 per centum of such salary, which amounts together with interest at 3 per centum per annum, compounded annually ~~and the amount of such deposits shall be credited to the participant's account as of December 31, and proportionately for the period served during the year of his retirement, including all contributions made during or for such period, shall, at the date of his retirement and at his election, be—~~

- (1) returned to him in lump sum; or
- (2) used to purchase an additional life annuity; or
- (3) used to purchase an additional life annuity for himself and to provide for a cash payment on his death to a beneficiary whose name shall be notified in writing to the ~~Director~~ by the participant; or
- (4) used to purchase an additional life annuity for himself and a life annuity commencing on his death payable to a beneficiary whose name shall be notified in writing to the ~~Director~~ by the participant with a guaranteed return to the beneficiary or his legal representative of an amount equal to the cash payment referred to in paragraph 3.

881(b)  
(b) The benefits provided by subparagraphs 2, 3, or 4 of paragraph (a) of this section shall be actuarially equivalent in value to the payment provided for by paragraph (a)(1) of this section and shall be calculated upon such tables of mortality as may be from time to time prescribed for this purpose by the Secretary of the Treasury.

881(c)  
(c) In case a participant shall become separated from the ~~Agency~~ for any reason except retirement on an annuity, the amount of any additional deposits with interest at 3 per centum per annum, compounded as is provided in paragraph (a) of this section, made by him under the provisions of this paragraph shall be refunded in the manner provided in section ~~241~~ for the return of contributions and interest in the case of death or separation from the ~~Agency~~.

881(d)  
(d) Any benefits payable to an officer or to his beneficiary in respect to the additional deposits provided under this paragraph shall be in addition to the benefits otherwise provided under this title.

TAB

14 August 1962

Honorable Lyndon B. Johnson  
President of the Senate  
Washington, D. C.

Dear Mr. Johnson:

This letter transmits for the consideration of the Congress a proposed amendment to the Central Intelligence Agency Act of 1949, as amended. The proposed bill permits the Agency to improve its retirement program by authorizing the establishment of a retirement system corresponding to that of the Foreign Service. The Central Intelligence Agency needs to attract and retain a force of highly motivated careerists who are intensively trained in unique skills. However, the Agency is unable in fact to provide full-term careers for many individual officers. In order to minimize the adverse effects of necessary programs of managed attrition and to preserve its ability to recruit and retain the high caliber personnel it needs, the Agency must make reasonable provision for the future of those individuals who must be separated before completing a full-term career of thirty or so years. Therefore, Section 3 of the proposed bill adds a new paragraph (g) to Section 5 of the Central Intelligence Agency Act of 1949, as amended, authorizing the Director of Central Intelligence to exercise the authority available to the Secretary of State under the Foreign Service Act of 1946, as amended, in order to establish a retirement and disability system corresponding to that available to Foreign Service Officers for a limited number of Agency employees.

Since all provisions pertaining to the retirement of Foreign Service Officers are not contained in a single Title of the Foreign Service Act and since it is possible that future amendments relating to retirement may occur elsewhere than in Title VIII, which is entitled "The Foreign Service Retirement and Disability System," it is necessary to make general provision for the Director of Central Intelligence to adopt provisions of law applicable to Foreign Service Officers for Agency employees. Additionally, most of the basic travel allowances and overseas benefits available to Foreign Service personnel are authorized for Agency employees by existing Section 4 of the Central Intelligence Agency Act of 1949, as amended. However, amendments to the Foreign Service Act over the years have of necessity required the Agency to seek legislation periodically in order to keep such authorities up to date and uniform with those available to Foreign Service personnel. Consequently, it is now proposed that the existing Section 4 of the Central Intelligence

Agency Act be rescinded by Section 2 of the proposed bill. In lieu of the rescinded authorities, the new Section 4 of the Central Intelligence Agency Act authorizes the Director to adopt and apply to Agency employees provisions of law applicable to Foreign Service personnel and to exercise with respect to Agency Employees the authority available to the Secretary of State for the purpose of having Agency Employees accorded appropriate benefits, rights, and allowances now authorized for Foreign Service Officers.

We consider enactment of the proposed bill to be essential to the effective performance of our mission and would appreciate early and favorable consideration. The Bureau of the Budget has advised that there is no objection to the presentation of the proposed bill to the Congress from the standpoint of the Administration's program.

Sincerely,

John A. McCone  
Director

Enclosure

14 August 1962

Honorable Richard B. Russell  
Chairman, Senate Armed Services Committee  
United States Senate  
Washington, D. C.

Dear Senator Russell:

Recently I spoke to you about the possibility of submitting legislation to the Congress in this session relating to an improved retirement program for certain limited numbers of Agency employees. Since that time, the Bureau of the Budget has studied our proposal intensively. We were advised yesterday that the Bureau of the Budget would have no objection to the presentation of a proposed bill from the standpoint of the Administration's program.

I have today written to the President of the Senate and the Speaker of the House transmitting copies of the draft bill and am enclosing copies of these letters for your information. In addition, I am attaching an "Explanation and Justification" of this proposed bill which is necessarily classified SECRET. The classified portions of the text are enclosed in brackets. Deletion of the classified material would make available appropriate material for inclusion in a Committee report.

Your cooperation will be appreciated since I believe this matter has considerable urgency. Please advise if I can provide any additional information or be of any possible assistance.

Sincerely,

John A. McCone  
Director

Enclosures - 3

Distribution:

O&1 - Addressee	1 - ExDir
1 - DCI	1 - Comptroller
1 - DDCI	2 - Leg Counsel
1 - ER	2 - D/Pers
1 - DD/S	

S-E-C-R-E-T

14 August 1962

Honorable John W. McCormack  
Speaker of the House of Representatives  
Washington, D. C.

Dear Mr. Speaker:

This letter transmits for the consideration of the Congress a proposed amendment to the Central Intelligence Agency Act of 1949, as amended. The proposed bill permits the Agency to improve its retirement program by authorizing the establishment of a retirement system corresponding to that of the Foreign Service. The Central Intelligence Agency needs to attract and retain a force of highly motivated careerists who are intensively trained in unique skills. However, the Agency is unable in fact to provide full-term careers for many individual officers. In order to minimize the adverse effects of necessary programs of managed attrition and to preserve its ability to recruit and retain the high caliber personnel it needs, the Agency must make reasonable provision for the future of those individuals who must be separated before completing a full-term career of thirty or so years. Therefore, Section 3 of the proposed bill adds a new paragraph (g) to Section 5 of the Central Intelligence Agency Act of 1949, as amended, authorizing the Director of Central Intelligence to exercise the authority available to the Secretary of State under the Foreign Service Act of 1946, as amended, in order to establish a retirement and disability system corresponding to that available to Foreign Service Officers for a limited number of Agency employees.

Since all provisions pertaining to the retirement of Foreign Service Officers are not contained in a single Title of the Foreign Service Act and since it is possible that future amendments relating to retirement may occur elsewhere than in Title VIII, which is entitled "The Foreign Service Retirement and Disability System," it is necessary to make general provision for the Director of Central Intelligence to adopt provisions of law applicable to Foreign Service Officers for Agency employees. Additionally, most of the basic travel allowances and overseas benefits available to Foreign Service personnel are authorized for Agency employees by existing Section 4 of the Central Intelligence Agency Act of 1949, as amended. However, amendments to the Foreign Service Act over the years have of necessity required the Agency to seek legislation periodically in order to keep such authorities up to date and uniform with those available to Foreign Service personnel. Consequently, it is now proposed that the existing Section 4 of the Central Intelligence



Agency Act be rescinded by Section 2 of the proposed bill. In lieu of the rescinded authorities, the new Section 4 of the Central Intelligence Agency Act authorizes the Director to adopt and apply to Agency employees provisions of law applicable to Foreign Service personnel and to exercise with respect to Agency Employees the authority available to the Secretary of State for the purpose of having Agency Employees accorded appropriate benefits, rights, and allowances now authorized for Foreign Service Officers.

We consider enactment of the proposed bill to be essential to the effective performance of our mission and would appreciate early and favorable consideration. The Bureau of the Budget has advised that there is no objection to the presentation of the proposed bill to the Congress from the standpoint of the Administration's program.

Sincerely,

John A. McCone  
Director

Enclosure

14 August 1962

Honorable Carl Vinson  
Chairman, House Armed Services Committee  
House of Representatives  
Washington, D. C.

Dear Mr. Vinson:

Recently I spoke to you about the possibility of submitting legislation to the Congress in this session relating to an improved retirement program for certain limited numbers of Agency employees. Since that time, the Bureau of the Budget has studied our proposal intensively. We were advised yesterday that the Bureau of the Budget would have no objection to the presentation of a proposed bill from the standpoint of the Administration's program.

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Your cooperation will be appreciated since I believe this matter has considerable urgency. Please advise if I can provide any additional information or be of any possible assistance.

Sincerely,

John A. McCone  
Director

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S-E-C-R-E-T

A BILL

To amend the Central Intelligence Agency Act of 1949, as amended, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Central Intelligence Agency Act Amendments of 1962."

Sec. 2. Section 4 of the Central Intelligence Agency Act of 1949, as amended, and the heading thereto is amended to read as follows:

"Officer and Employee Allowances and Benefits

"Sec. 4. In the performance of the functions of the Central Intelligence Agency, the Director is authorized:

(a) to adopt or apply to officers and employees of the Agency such provisions regarding officer and employee allowances and benefits, as he may determine to be necessary and appropriate, of the Foreign Service Act of 1946, as heretofore or hereafter amended, and of any other law pertaining specifically, or generally applicable, to Foreign Service officers, Foreign Service reserve officers, and Foreign Service staff officers and employees;

(b) to exercise with respect to officers and employees of the Agency such authorities, as he may determine to be necessary and appropriate, available to the Secretary of State under provisions of any such laws in order to make available to Agency officers and employees similar benefits, rights, privileges, and allowances authorized thereunder;

(c) to prescribe regulations for the granting of officer and employee allowances and benefits and for the exercise of the authorities set forth in this section."

Sec. 3. Section 5 of the Central Intelligence Agency Act of 1949, as amended, is amended by the addition of a new paragraph (g) as follows:

"(g) Under such regulations as the Director may prescribe the Director is authorized to exercise the authority available to the Secretary of State with respect to the establishment of a retirement and disability system under the Foreign Service Act of 1946, as heretofore or hereafter amended, in order to establish a corresponding retirement and disability system for such individuals and classes or groups of Agency officers and employees as he may designate from time to time."

S-E-C-R-E-T

### EXPLANATION AND JUSTIFICATION

(Note: Bracketed portions only are classified.)

#### 1. Purpose of Proposed Bill

a. The proposed bill permits the Agency to improve its retirement program by authorizing the establishment of a retirement system corresponding to that of the Foreign Service. The Central Intelligence Agency needs to attract and retain a force of highly motivated careerists who are intensively trained in unique skills. However, the Agency is unable in fact to provide full-term careers for many individual officers. In order to minimize the adverse effects of necessary programs of managed attrition and to preserve its ability to recruit and retain the high caliber personnel it needs, the Agency must make reasonable provision for the future of those individuals who must be separated before completing a full-term career of thirty or so years. Therefore, Section 3 of the proposed bill adds a new paragraph (g) to Section 5 of the Central Intelligence Agency Act of 1949, as amended, authorizing the Director of Central Intelligence to exercise the authority available to the Secretary of State under the Foreign Service Act of 1946, as amended, in order to establish a retirement and disability system corresponding to that available to Foreign Service Officers for a limited number of Agency employees.

b. Since all provisions pertaining to the retirement of Foreign Service Officers are not contained in a single Title of the Foreign Service Act and since it is possible that future amendments relating to retirement may occur elsewhere than in Title VIII, which is entitled "The Foreign Service Retirement and Disability System," it is necessary to make general provision for the Director of Central Intelligence to adopt provisions of law applicable to Foreign Service Officers for Agency employees. Additionally, most of the basic travel allowances and overseas benefits available to Foreign Service personnel are authorized for Agency employees by existing Section 4 of the Central Intelligence Agency Act of 1949, as amended. However, amendments to the Foreign Service Act over the years have of necessity required the Agency to seek legislation periodically in order to keep such authorities up to date and uniform with those available to Foreign Service personnel. Consequently, it is now proposed that the existing Section 4 of the Central Intelligence Agency Act be rescinded by Section 2 of the proposed bill. In lieu of the rescinded authorities, the new Section 4 of the Central Intelligence Agency Act authorizes the Director to adopt and apply to Agency employees provisions of law applicable to Foreign Service personnel and to exercise with respect to Agency employees the authority available to the Secretary of State for the purpose of having Agency employees accorded appropriate benefits, rights, and allowances now authorized for Foreign Service Officers.

S-E-C-R-E-T

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## 2. Problem

All regular employees of the Central Intelligence Agency are at present covered by the provisions of the Civil Service Retirement Act. Such coverage is appropriate for those whose conditions, obligations, and terms of service are comparable to those of federal employees generally. However, the Agency has a serious problem in its need to make more adequate provision for certain of its employees who should be retired at an earlier age and with a more equitable annuity than can be provided under the Civil Service Retirement Act. This need stems from the fact that the Agency cannot provide to or expect from many individuals in its service a full-term working career of thirty or so years.

## 3. Background

a. The conditions underlying this situation are complex. For some years, the Agency has recognized that it faces a serious dilemma. On the one hand, the nature of its mission requires the employment of people who are highly motivated and who develop unique and specialized abilities through their continuing training and service over the years. Moreover, the nature of the Agency's mission requires that a substantial proportion of its personnel accept, as do members of the military services and the Foreign Service, the obligation to serve anywhere in the world at the Agency's direction---not at their own will---and to be available for duty on a 24-hour-a-day basis. In sum, the employment of people to serve on a career basis is essential to fill the majority of the Agency's requirements for personnel. On the other hand, factors directly related to the nature and conditions of service in the intelligence field and factors affecting the ability and desire of individuals to remain in such work on a long-term basis make it infeasible to provide full-term employment for all careerists.

b. The nature of the work involved in the Agency's operations requires people who have a high degree of vigor, vitality, endurance, resilience, and adaptability. Such traits are required to cope with the stresses and strains occasioned by uneven and uncertain hours and days of work, duty in unhealthy locations with less than adequate medical facilities, or arduous, and not infrequently hazardous, assignments. [For example, the responsibility of the Agency for covert cold war functions and continuance of counter-insurgency activities requires the Agency to employ numbers of individuals whose skills are not necessarily adaptable to full-term careers.]

c. [There is a further requirement that officers serving overseas must normally perform their work under the cover of employment with some other organization, a requirement which limits their long-term utility. The usefulness of an officer is seriously impaired if not destroyed if his true employment affiliation is revealed. However, the longer he serves under cover, and particularly if his cover must be changed in the course of moves from one post to another, the greater becomes the risk that his true affiliation will be inadvertently revealed to or inferred by hostile parties.

S-E-C-R-E-T

S-E-C-R-E-T

Finally, since most positions in cover organizations which can be made available for the Agency's use are those which would normally be manned by junior personnel of the host organization, it is difficult to find appropriate cover for any substantial number of officers of middle-age or over.

d. There are other factors pertaining to the individuals themselves which, over the years, limit their ability and desire to continue in overseas service. First, there is "motivational exhaustion." This term is used to describe a gradual lessening of interest and enthusiasm of an officer as a result of impingements on his personal and family life. These stem from the transient nature of his assignments, the complications and restrictions of security requirements, and intrusions on his family life [occasioned by the requirement that he spend his apparent "leisure time" in performing additional Agency duties after completing his cover workday]. Further, while all Agency employees are subject to security restrictions which place severe limitations on their personal freedoms, employees serving abroad are subject to even greater restrictions [and, in addition, must conduct their personal affairs in a manner consistent with their cover employment]. These factors tend to lessen the enthusiasm and willingness of the family to accompany the officer on further assignments overseas. Lastly, our experience has shown that many employees or members of their families will in time incur physical impediments which limit or preclude further assignment overseas.

e. The dynamic nature of intelligence produces sudden and sometimes radical shifts in the types of personnel required. Completion of a mission of a temporary nature or a shift in emphasis or direction of operations may result in an overabundance of officers who are skilled in a relatively narrow field. Their primary qualifications thus become obsolete or unneeded and they become "occupationally surplus."

#### 4. Manpower Control

a. The Agency finds it increasingly necessary to impose manpower controls to ensure appropriate alignment as to age, qualifications, and other characteristics of its employees [engaged in conducting or supporting foreign intelligence operations]. Insofar as possible, imbalances should be and are corrected by the reassignment of officers who cannot or should not continue in such work to other fields of work in the Agency. It is a certainty, nonetheless, that encouraged and induced attrition will be necessary. A program of managed attrition, however, is feasible only if it is linked with a system of retirement benefits which are sufficient to induce an employee or a prospective employee to take the risk that he may be one of those individuals who cannot serve a full-term career.

b. The seriousness of this risk to the individual is greatly augmented by the difficulty which he will encounter in effecting a transfer from intelligence activities to other government or commercial fields. The principal reason for this is that the special skills required for intelligence work are not ordinarily required in other fields. Other reasons are the inability of employees for security reasons to describe or confirm to a prospective

S-E-C-R-E-T

employer the scope and level of his duties and responsibilities. [Further, there is a reluctance on the part of other employers, both government and private, who are engaged in business overseas to hire a former intelligence officer. This reluctance stems from their concern that the attitudes of foreign officials toward their enterprises might be adversely affected if they were known to employ "former spies."]

c. As part of its manpower control program, the Agency has instituted administrative procedures for identifying employees who become surplus to its needs because of the several factors described above and has recently engaged in an exercise which will result in the separation of approximately 150 such individuals. This process was made the more painful because of the relatively inadequate assistance which the Agency could offer those separated in making occupational transfers or in retiring prematurely. The benefits available were limited to those provided under the discontinued service provisions of the Civil Service Retirement Act and to modest separation compensation payments from the Agency which are related to years of service and salary.

5. Proposed Retirement System

a. In order to minimize the adverse effects of such programs on the Agency's ability to recruit and retain the caliber of personnel needed, and particularly to minimize their effects on the dedicated personnel already in the service of the Agency, better provision must be made for the futures of those individuals who are separated before completing a full-term career. An important means for doing so is to establish a retirement system permitting earlier retirement with a more nearly adequate and equitable annuity than is possible under the civil service retirement system. The Foreign Service system is more suitable for those Agency employees whose careers have involved comparable conditions of service. Appendix A compares the pertinent provisions of the Foreign Service and the civil service retirement systems. This chart is based on a similar chart appearing in the Report of the House Committee on Foreign Affairs in the 2nd session of the 86th Congress. It was prepared at that time in connection with proposed amendments to the Foreign Service Act of 1946, as amended, relating to the retirement system which proposals were subsequently enacted into law.

b. Aside from the additional special requirements applicable to Agency employment, employees who serve overseas are subject to essentially the same conditions of service which were the basis for the development of the Foreign Service retirement system. By adopting a system corresponding to the Foreign Service system, the Agency can take advantage of the considerable study and experience which have gone into its development.

c. Such a retirement system would not be appropriate for all Agency employees and it is not the Agency's intention in requesting authority to



S-E-C-R-E-T

Establish such a system to apply it to all. The employees who are to be designated for coverage under this system will undergo a rigid selection process. [The essential criteria for coverage under the proposed retirement system would be as follows:]

[(1) Career employees whose duties and responsibilities are predominantly concerned with the conduct and support of intelligence operations in foreign countries or with covert support in the United States of such operations under comparable conditions.]

[(2) Career employees whose duties are so specialized that they are placed at a special disadvantage when required to seek other employment.]

#### 6. Estimated Number of Employees under Proposed System

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a. [The careers of more than [redacted] employees are directly oriented to intelligence operations abroad. At any moment in time, approximately [redacted] are serving abroad while the balance are at headquarters as replacements.] It is estimated that a maximum of [redacted] employees will qualify for coverage under the new system; civil service retirement will remain the retirement system for all other employees.

25X1A

b. [Normally, we would anticipate that an average of about 27 of these employees would become eligible for optional retirement under the civil service retirement system during each of the next five years. For the reasons presented in justification of our need for a retirement system comparable to that of the Foreign Service, and to correct imbalances in the age make-up of this group, we would hope, under the new system, to increase the average number of retirements from this group by about 40 in each of these years.] During the past year the average age of Agency personnel who retired under the Civil Service Retirement System was 66. We hope, in time, to lower the average retirement age of those under the new retirement system to about 55 years which is comparable to the average retirement age in the Foreign Service.

#### 7. Cost Estimates

a. There will be certain increased costs for the administration of the retirement system. For reasons of efficiency and security, it is considered essential that full administration of the program excluding maintenance of the fund by the Department of the Treasury (as required by law in the case of the Foreign Service Retirement Fund) be accomplished within the Agency. It is estimated that by the end of the first five years the administration of the proposed program would cost approximately \$80,000 per year with an increase of approximately eight man years. Internal administration of the program would include determinations of eligibility and entitlements, payment of retirement benefits, and all related administrative matters.

S-E-C-R-E-T

b. Program costs cannot be estimated with comparable precision. Nevertheless, reasonably valid estimates have been made on the basis of actuarial experience of the civil service and Foreign Service systems. Based on the cost differential of the differing benefits of the two programs and applying it to the estimated maximum of [REDACTED] eligible for the proposed retirement system, we compute that a maximum additional Government contribution of [REDACTED] million annually would be required. However, it has not been government practice for many years to fully fund its retirement programs. Further, there have been special charges against the Foreign Service Retirement Fund which go beyond the basic benefits of the proposed CIA system.

25X1A

25X1A

[c. A more realistic estimate can be made of the increased payout in basic annuity benefits under the proposed system over the civil service retirement system for the next five fiscal years. The estimate assumes a target rate of 67 retirements per year. Other assumptions, based upon manpower studies and age and grade characteristics of the eligible group, contemplate an average retirement age of 55 years with 25 years of service and an average high-five salary of \$11,000 (about the second step of grade GS-13). Basic annuities computed under the new system would be \$5,500 as against \$4,829 under the civil service system. The difference of \$671 applied to the estimated average of 67 retirements per year would result in the following total increased annuity payments for the years shown:

<u>FY Year</u>	<u>Annuityants</u>	<u>Increased</u>
<u>25X1A</u>	<u>(Cumulative Totals)</u>	<u>Annuity Payments</u>
		<u>(Cumulative Totals)</u>



The chain of recruitment, reassignment, and promotion actions created by this annual retirement of officers would result in a considerable lapse in salary expenses. Assuming an average lag of six months in this process, the reduction of expenditures would approximate \$2,300 per retirement and would total approximately [REDACTED] over a five-year period. This amount would almost offset the estimated increase in annuity payments for the first five years that the new system was in operation.]

25X1A

APPENDIX A

COMPARISON OF FOREIGN SERVICE RETIREMENT  
AND DISABILITY SYSTEM WITH PERTINENT PROVISIONS  
OF THE CIVIL SERVICE RETIREMENT SYSTEM

**EXECUTIVE OFFICE OF THE PRESIDENT  
BUREAU OF THE BUDGET  
WASHINGTON 25, D. C.**

**AUG 13 1962**

Honorable John A. McCone  
Director of Central Intelligence  
Central Intelligence Agency  
Washington 25, D. C.

Dear Mr. McCone:

This is in reply to your request of August 2, 1962, for advice on a draft of a bill "To amend the Central Intelligence Agency Act of 1949, as amended, and for other purposes."

A change in the proposed Section 4 is recommended in order to define the provisions of the Foreign Service Act of 1946, as amended, to be extended to the authority of the Director of Central Intelligence. This change has been discussed with and agreed to by your staff.

In discussions with your staff, agreement has been reached that, subsequent to enactment of any legislation along the lines of your draft bill, agency regulations for the operation of the retirement and disability system and agency criteria for selection of officers and employees to be eligible for coverage under the system, will be submitted to the Bureau of the Budget for approval prior to activation of the system.

It was also agreed that, whenever the Administration seeks uniform legislation covering retirement and related provisions for personnel engaged in foreign operations, CIA will be included in such a comprehensive system.

Subject to the above, the Bureau of the Budget advises that there would be no objection to the presentation of your proposed draft bill from the standpoint of the Administration's program.

Sincerely yours,

(signed) PHILLIP S. HUGHES

Phillip S. Hughes  
Assistant Director for  
Legislative Reference

**SECRET**



**CENTRAL INTELLIGENCE AGENCY**

**WASHINGTON 25, D. C.**

**OFFICE OF THE DIRECTOR**

**7<sup>th</sup> AUG 1962**

Honorable David E. Bell  
Director  
Bureau of the Budget  
Washington 25, D. C.

Dear Mr. Bell:

In his letter to you of 2 August 1962, the Director of Central Intelligence submitted for clearance by the Bureau of the Budget a draft bill "To amend the Central Intelligence Agency Act of 1949, as amended, and for other purposes." Enclosed as Attachment 1 is an estimate of the costs of the proposed legislation prepared by the Agency after discussion with persons experienced in the field in the Department of State and the Civil Service Commission.

For your assistance in considering the proposed bill, there is enclosed, as Attachment 2, a chart which is a comparison of the pertinent provisions of the Foreign Service Retirement System and the Civil Service Retirement Act. This chart is based on a similar chart appearing in the Report of the House Committee on Foreign Affairs in the 2nd session of the 86th Congress. The chart was prepared at that time in connection with proposed amendments to the Foreign Service Act of 1946, as amended, relating to the retirement system which proposals were subsequently enacted into law. Enclosed as Attachment 3 are selected cases which illustrate the annuities payable in various situations under the Foreign Service Retirement System as contrasted with the Civil Service Retirement Act.

25X1A As a matter of additional information, the total number of Agency employees serving abroad under various cover situations ranging from [REDACTED] to over [REDACTED]

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25X1A An approximately equal number of Agency employees at headquarters are available for assignment to these positions abroad either on a rotational basis or as replacements. It is the people in this composite group of over [REDACTED] members who are obligated to serve anywhere in the world as in the Foreign Service and in the military services. It is basically from this group that individuals will be selected as

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qualified under the Agency criteria to come within the proposed retirement system. Simply serving a tour abroad will not automatically or of itself qualify an individual for coverage under the new system. Of the total group, we have estimated that a maximum of only [REDACTED] will demonstrate the required career orientation and fully satisfy the eligibility criteria. This reflects the Agency concept of strict application of the criteria.

I would like to express my appreciation for the efforts of your office in assisting the Agency and the prompt attention which our request has received.

25X1A

Faithfully yours,

Marshall S. Carter  
Lieutenant General, USA  
Acting Director

Enclosures - 3

Att 1  
Att 2  
Att 3

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COST ESTIMATES

1. There will be certain increased costs for the administration of the retirement system. For reasons of efficiency and security, it is considered essential that full administration of the program excluding maintenance of the fund by the Department of the Treasury (as required by law in the case of the Foreign Service Retirement Fund) be accomplished within the Agency. It is estimated that by the end of the first five years the administration of the proposed program would cost approximately \$80,000 per year with an increase of approximately eight man years. Internal administration of the program would include determinations of eligibility and entitlements, payment of retirement benefits, and all related administrative matters.

2. Program costs cannot be estimated with comparable precision. Detailed actuarial analyses have not been made of the proposed retirement system as it would apply to Agency personnel.

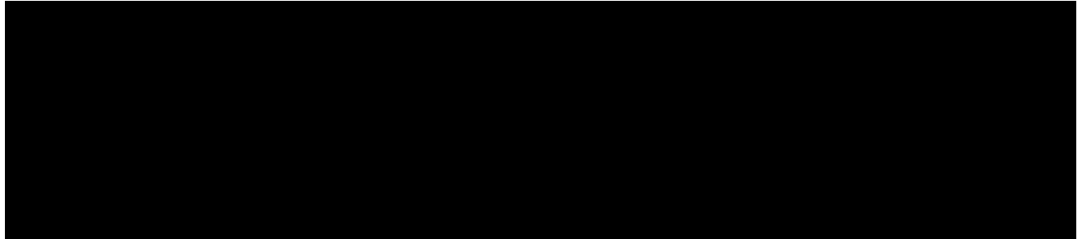
The most recent annual report of the Chairman of the Civil Service Commission presents cost factors indicating that in addition to the 13% of payroll contributed by the employee and the employing Agency the Government would be required to contribute an additional .83% of the annual payroll of covered employees to support the benefits accruing on account of current service.

25X1A Similar, although not fully comparable data pertaining to the Foreign Service retirement system, indicates that additional contributions by the Government of 10.69% would be required. Using the difference between these two estimates as reflecting the cost differentials of the differing benefits of the two programs and applying it to the estimated annual payroll of the [REDACTED] Agency employees eligible for the proposed retirement system, we compute that a maximum additional Government contribution of [REDACTED] annually would be required. However, it has not been government practice for many years to fully fund its retirement programs. Further, there have been special charges against the Foreign Service Retirement Fund which go beyond the basic benefits of the proposed CIA system.

25X1A

3. A more realistic estimate can be made of the increased payout in basic annuity benefits under the proposed system over the Civil Service retirement system for the next five fiscal years. In making this estimate it is assumed that the same number of individuals will request or be induced or required to retire regardless of the retirement system applicable. Other assumptions based upon manpower studies and age and grade characteristics of the eligible group contemplate average retirement age of 55 years with 25 years of service and an average high five salary of \$11,000 (about the 2nd step of grade GS-13). Basic annuities computed under the new system would be \$5,500 as against \$4,829 under the Civil Service system. The difference of \$671 applied to the estimated average of 67 retirements per year would result in the following total increased annuity payments for the years shown:

<u>FY Year</u>	<u>Annuity Payments</u>	<u>Increased</u> <u>Annuity Payments</u>
25X1A	(Cumulative Totals)	(Cumulative Totals)



25X1A The chain of recruitment, reassignment, and promotion actions created by this annual retirement of officers would result in a considerable saving in salaries. Assuming an average lapse of six months in this process, the saving would approximate [REDACTED] per retirement and would total approximately [REDACTED] over a five-year period. This saving would almost offset the estimated increase in annuity payments for the first five years that the new system was in operation. 25X1A



EXAMPLES OF COMPARATIVE ANNUITIES

ATT. 3

CIVIL SERVICE RETIREMENT VS. FOREIGN SERVICE RETIREMENTHigh Five Average Salary \$17,570 (top step GS-17)

Age	Years of Service	Annuity		Increase	
		Civil Service	Foreign Service	Dollars	%
50	20	\$ 5,411	\$ 7,028	\$ 1,617	30%
50	25	6,905	8,785	1,880	27%
55	25	7,713	8,785	1,072	14%
55	30	9,382	10,542	1,160	12%
60	30	9,874	10,542	668	7%
60	35	11,631	12,299	668	6%

High Five Average Salary \$15,030 (top step GS-15)

50	20	4,629	6,012	1,383	30%
50	25	5,906	7,515	1,609	27%
55	25	6,598	7,515	917	14%
55	30	8,026	9,018	992	12%
60	30	8,446	9,018	572	7%
60	35	9,949	10,521	572	6%

High Five Average Salary \$11,935 (top step GS-13)

50	20	3,675	4,774	1,099	30%
50	25	4,690	5,967	1,277	27%
55	25	5,239	5,967	728	14%
55	30	6,373	7,161	788	12%
60	30	6,707	7,161	454	7%
60	35	7,900	8,354	454	6%

High Five Average Salary \$8,860 (top step GS-11)

50	20	2,728	3,544	816	30%
50	25	3,481	4,430	949	27%
55	25	3,889	4,430	541	14%
55	30	4,731	5,316	585	12%
60	30	4,979	5,316	337	7%
60	35	5,865	6,202	337	6%

S-E-C-R-E-T

2 August 1962

Honorable David E. Bell  
Director  
Bureau of the Budget  
Washington, D. C.

Dear Mr. Bell:

In accordance with Bureau of the Budget Circular A-19, revised, there are enclosed four copies of a draft bill, "To amend the Central Intelligence Agency Act of 1949, as amended, and for other purposes." This bill is submitted for clearance by the Bureau of the Budget prior to submission to the Congress. Also enclosed are copies of the explanation and justification which are necessarily classified SECRET, together with proposed letters of transmittal to the President of the Senate and the Speaker of the House.

The proposed legislation would authorize the Director of Central Intelligence to establish a retirement and disability system corresponding to that available to Foreign Service Officers for certain limited numbers of Agency employees. We have studied most carefully the subject of an appropriate retirement program for these employees and have concluded that the proposed bill would fulfill our requirements. Consequently, I consider its enactment into law essential to the effective performance of our mission.

I am aware of the normal procedures required in the processing of proposed legislation. I believe this bill warrants special consideration and I urgently request you to give this matter high priority since we are hopeful of having legislation introduced and passed in this session of the Congress. If there is any additional information needed or if there is any way this Agency can assist in your consideration of the proposed bill, I assure you of our willingness to cooperate in every way possible.

Sincerely,

John A. McCone  
Director

Enclosures - 4

S-E-C-R-E-T  
Approved For Release 2001/08/28 : CIA-RDP75B00380R000800110002-4  
EARLY RETIREMENT PROPOSAL

RESUME

1. Purpose of proposed bill: To improve CIA's retirement program by authorizing the establishment of a system corresponding to the Foreign Service system for certain limited numbers of employees.

2. Problem: Civil Service retirement system applicable to Agency employees makes inadequate provision for those officers whose careers must be shortened because of the special requirements and conditions of Agency service.

3. Discussion:

a. Need for careerists: CIA requires people possessing unique qualifications and motivation who must be trained and developed through service with the Agency in highly specialized fields of endeavor. Moreover, these people are obligated to serve when and where they are needed at the Agency's direction, as are members of the military and the Foreign Service.

b. Requirements and conditions of service which shorten careers:

(1) Stresses and strains of service in foreign intelligence operations require a high degree of such youthful characteristics as vigor, vitality, endurance, and adaptability.

(2) The utility of an officer in overseas service is inhibited or destroyed if his cover is "blown." However, the longer an officer serves under cover, the greater the risk that his true employment affiliation will be inadvertently revealed to or inferred by hostile parties.

(3) Because the cover positions which can be made available to the Agency are those which are normally manned by junior personnel of the host organization, it is difficult to find appropriate cover for any substantial number of officers of middle-age or over or in the higher grades.

(4) "Motivational exhaustion" limits the individual's ability and desire to remain in overseas operations for a full career span. It is defined as a gradual lessening of interest and enthusiasm which results from impingements on personal and family life occasioned by the transient nature of assignments, complications and restrictions of "living one's cover," and intrusions on family life of performing cover and Agency jobs concurrently.

(5) Health hazards result in physical impediments affecting an officer or a member of his family which limit or preclude overseas service.

c. Need to adjust to changing personnel requirements: The dynamic nature of intelligence operations produces sudden and sometimes radical shifts in the types of personnel required. Completion of a mission of a temporary nature or a shift in emphasis or direction of operations may result in an overabundance

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of officers who are skilled in a relatively narrow field of operations. Such changes cannot always be met by retraining of the individuals whose primary qualifications thus become obsolete or unneeded and they become "occupationally surplus." For example, the responsibility of the Agency for covert cold war functions and continuance of counter-insurgency activities require the Agency to employ numbers of individuals whose skills are not necessarily adaptable to full-term careers.

d. Adequate provision for retirement in a program of managed attrition: As a result of the factors described above, the Agency finds it increasingly necessary to impose manpower controls to ensure appropriate alignment as to age, qualifications, and other characteristics of the body of employees engaged in foreign intelligence operations. Imbalances should be and have been corrected by the reassignment within the Agency of those officers who cannot or should not continue in such work. However, encouraged and induced attrition will also be necessary. Intelligence skills are not readily transferrable to other fields of work and careerists who must enter other fields encounter difficulty in maintaining a salary level comparable to that attained during their intelligence careers. Therefore, a program of managed attrition must be linked to a system of retirement benefits which are sufficient to induce an individual to take the risk of being separated before serving a full-term career.

4. Adaptability of Foreign Service retirement system to Agency's needs: In addition to the special requirements of cover and security which are applicable to Agency employment, those individuals engaged in foreign intelligence operations are subject to essentially the same conditions of service which were the basis for the Foreign Service retirement system. [REDACTED]

5. Application of new retirement system to Agency employees: The careers of more than [REDACTED] employees are directly oriented to intelligence operations abroad. At any moment in time, approximately [REDACTED] are serving abroad while the balance are at headquarters as replacements. The proposed retirement system would be applied only to (1) careerists whose duties and responsibilities are predominantly concerned with the conduct and support of intelligence operations in foreign countries or with covert support in the U.S. of such operations under comparable conditions, and to (2) careerists whose duties are so specialized that they are placed at a special disadvantage when required to seek other employment. It is estimated that a maximum of [REDACTED] employees will meet these criteria and Civil Service retirement will remain the retirement system for all other employees.

6. Cost estimates: When the proposed retirement program is fully developed, the maximum additional cost to the U.S. Government will be [REDACTED] annually. However, it has not been Government practice to fully fund its retirement program and actual appropriation costs to CIA would be substantially less. We have also calculated at [REDACTED] the additional actual payout cost for the next five years, based on an estimate [REDACTED] retirees per year at an additional [REDACTED] in annuity for each. We believe these costs would be offset by the time lag in the chain of recruitment, reassignment, and promotion actions that would result from these retirements. Finally, the cost to the Agency of administering this program internally will gradually increase and will reach about [REDACTED] including the salaries for 8 employees, at the end of five years.

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